

Council Agenda Item	3
Report No	HC/01/24

The Highland Council

Committee: Highland Council

Date: 29 February 2024

Report Title: Revenue Budget, Council Tax and Medium-Term Financial Plan 2024/25 to 2026/27

Report By: Head of Corporate Finance

1. Purpose/Executive Summary

- 1.1 The Council is required by legislation to set a balanced budget, and to set a council tax level for the forthcoming year no later than 11th March. This report and the recommendations within, provide the basis for the Council to fulfil these legal obligations.
- 1.2 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management (FM) Code. The Code is in place to support good financial management, and defines a number of key principles and expectations on Officers and members regarding financial management and the budget setting process, which are reflected within this report.
- 1.3 This report sets out the Council's Medium Term Financial Plan for 2024/25 – 2026/27, the proposed revenue budget and council tax for 2024/25, and indicative revenue budgets for the following two financial years, 2025/26 and 2026/27. The report details recommendations to deliver a balanced budget, and includes recommendations relating to budget assumptions, financial flexibilities, pressures and investment, savings, reserves and council tax. The report is based on proposals brought forward by the Council Administration. The report and recommendations have been developed and informed by budget engagement undertaken by the Council, and the welcome and extensive input our communities, citizens, staff and members have provided.
- 1.4 The context for this report is the unprecedented financial challenge facing the Council. The budget gap, being the difference between forecast expenditure and forecast income, which set the scene for the Council's financial planning, was estimated as £108.3m across the three-financial years and increased to £113m once the impact of the 2024/25 Scottish Government grant settlement was known.
- 1.5 It is clear that with the scale of budget gap being faced, the Council needs to take a strategic, transformative and multi-year approach to its financial challenges. The current scale and model of service delivery is not sustainable. The Council needs to align its service delivery and operating models to the resources it has available to it.

This will require significant change to what services the Council delivers, and how it delivers them.

- 1.6 This level of budget gap arose as a result of the impact of high inflation, high interest rates and the cost of living crisis resulting in significant increases in the cost of service delivery. These increased costs are in an environment where due to the considerable pressure on public sector finances and the Scottish Government budget, the Council is faced with a cash reduction in the core grant settlement for 2024/25 after allowing for additional resources which come with additional expenditure requirements or conditions, and an assumed flat cash position in the subsequent two years. The legacy impact of reliance on £23m of reserves to fund the current year (2023/24) budget, was a further factor, with the medium-term financial plan needing to address that £23m on an ongoing and sustainable basis. £23m of the budget gap relates to that use of reserves in 23/24.
- 1.7 Members will be aware that the Council is in a positive reserves position, and with recommendations within this report that could further increase available reserves. It is important to understand however that there is a fundamental distinction between the Council's reserves position which can be considered as positive, contrasted with its underlying and ongoing financial sustainability challenge which shows a clear budget gap, being the difference in the ongoing costs of service delivery versus the ongoing funding to meet those service costs. Reserves are finite and cannot address a budgetary gap on a sustainable basis. As indicated above by the consequence of 2023/24 decisions, the use of reserves only pushes back in time the requirement to make recurring, sustainable and often challenging budget decisions. The recommendations in this report, and the multi-year medium term planning approach, are predicated on resolving the budget gap on a sustainable basis, and ensuring reserves use is in line with the strategy agreed by members in December 2023. In particular ensuring that reserves are used primarily to support change, transformation and income generation, with any use for balancing the budget only on a targeted and short-term basis.
- 1.8 This report sets out and is clear on the scale of the financial challenges, and associated risks facing the Council. This report and its recommendations set out a multi-year approach to financial planning. Through the financial strategies and savings plans as set out in this report, the Council can achieve a balanced budget position for 2024/25, and also progress delivery of significant transformative and change programmes to support the Council to a financially sustainable position.
- 1.9 A range of annexes and supporting information are enclosed with this report. A full list is provided at the end of this report. Members may wish to note, in particular, the following annexes and information.
- Annex 3 Budget pressures, new commitments and investment
 - Annex 5 Budget Savings proposed
- 1.10 An aid to interpreting figures in this report. Across this report and associated annexes, £ figures shown are on an incremental basis. For example, a table showing a cost pressure or a saving with £1m in each of the 3 years (i.e. £1m/£1m/£1m/total £3m) represents an incremental impact in each year. For example, £1m of a saving in year 1, a further £1m saving in year 2, and a further £1m saving in year 3. So in total by year 3 the accumulated saving target to be delivered on an ongoing basis is £3m per annum. Conversely, if a figure is shown in a single year, the expectation is that this saving will be replicated in all future years – i.e. baselined. If this is not the

case, it will be indicated to be a one-off saving and in this situation, an equivalent saving will need to be identified in future years.

2. Recommendations

2.1 Members are asked to:

- i. Note the budget assumptions as set out within this report;
- ii. Note the extensive process of budget engagement as set out within this report, and the update from the most recent period of engagement which concluded on 7 February.
- iii. Agree the three-year package of budget saving proposals put forward by the Council Administration as set out at annex 5;
- iv. Agree the implementation of the PPP accounting flexibility as per the terms of guidance specified in Scottish Government Finance Circular 10/2022 that permits changes to internal accounting and the extension of the period over which accounting charges for PPP contracts are made;
- v. Note that as a result of recommendation (iv) there will be an estimated increase into Council reserves on a retrospective basis of approximately £68m;
- vi. Note the short to medium term benefits that result, as well as the longer-term implications and additional charges that will extend into future years, arising from recommendation (iv);
- vii. Agree the package of budget pressures and investment funding proposed by the Council Administration as set out on annex 3;
- viii. Agree to the Partner Funding arrangements relating to NHS Highland, High Life Highland and Early Learning and Childcare partners as set out in section 10, noting that in relation to ELC the proposed rates are pending confirmation from Scottish Government relating to funding and relevant guidance;
- ix. Agree to Earmark reserves as set out in section 16 and annex 6;
- x. Agree to utilise reserves to support change and transformation, and meet short-term pressures, as set out in section 11 and 16;
- xi. Agree to utilise reserves totalling £9.927m in 2024/25, and on an indicative basis £12.922m in 2025/26 and £1.129m in 2026/27 to balance the revenue budget in those years;
- xii. Agree in relation to Council Tax, to freeze Council Tax levels in 2024/25 at 2023/24 levels, with details of the resulting Council Tax as shown in annex 7;
- xiii. Note the indicative assumptions on Council Tax for 2025/26 and 2026/27 as per annex 7, with these subject to future review and formal decision as part of annual budget setting;
- xiv. Agree the Revenue Budget for 2024/25 as set out within this report and on Annex 8;

- xv. Agree the Indicative Revenue budgets for 2025/26 and 2026/27 as set out within this report and on Annex 8;
- xvi. Note the risks associated with this budget and the Medium Term Financial Plan as set out on section 19;
- xvii. Note the update provided in relation to a Delivery Plan.

3. Implications

3.1 Resource – by its nature this report has a significant number of resource implications. The report sets out the context and assumptions within the Council's budget gap, and the risks and uncertainties related to that position. The report sets out a range of recommendations, and provides associated information within the body of the report, and annexed information, to allow members to understand the financial implications before them. The report specifically highlights particular risks pertaining to this budget plan. The report details the Council's reserves forecast, and updated recommendations and plans regarding their use, with this set in the context of the Reserve Strategy agreed by the Council in December 2023. Reserves being one aspect of how the Council's manages its financial position and mitigates against financial risk. This report is the conclusion of a series of reports to Council over the past 5-6 months, and supported by written and face to face briefings provided to all members to support their understanding of the Council's budget outlook. Members should consider this report as a whole and complete document, in considering the resource implications related to the budget and medium-term financial plan.

3.2 Legal –

(i) In terms of Section 93 of the Local Government Finance Act 1992 ('the 1992 Act') Members have a duty to set both Council Tax and therefore by implication the next year's budget before 11 March in any year. Section 93(4) of the 1992 Act states "in calculating such part of the total estimated expenses to be incurred by a local authority as falls to be met out of council tax, account shall be taken of any means by which those expenses may otherwise be met or provided for'.

(ii) Therefore, Council is required to estimate how much income it will receive from grant allocations, what its expenditure might be, what other budgetary actions can be taken, before then agreeing the Council Tax rate to fund the difference. This process is commonly referred to as setting a balanced budget.

(iii) Section 95 of the Local Government (Scotland) Act 1973 (the 1973 Act') states, '...every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.' In The Highland Council the 'proper officer' in terms of the 1973 Act is the Head of Corporate Finance (E Part IV Scheme of Delegation and Administration).

(iv) The Council's financial arrangements must conform with the governance requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'). Therefore, the proper officer must ensure that the Council corporately and the Officer himself discharges their respective obligations and responsibilities

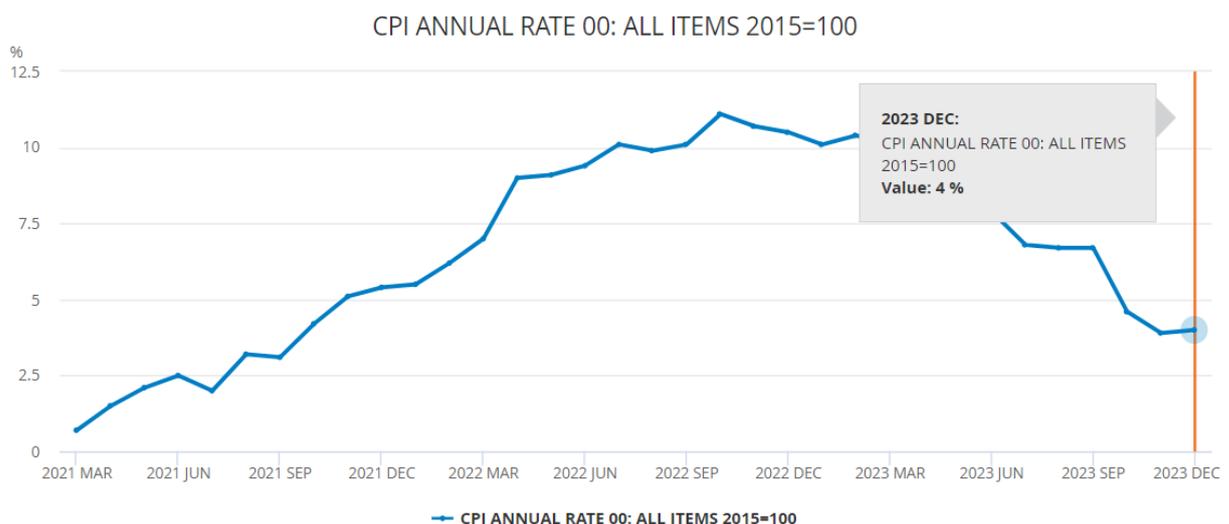
- 3.3 Community (Equality, Poverty, Rural and Island) – screenings for impact have been undertaken across each budget proposal and, where appropriate, a full impact assessment has been completed. For some, consideration of impacts will form part of a project or review programme and are yet to be determined. Details of impacts are noted on the accompanying templates which summarise any potential impact, mitigations in place and if a full impact assessment has been required. Inevitably, where there are financial reductions of this magnitude required, impacts are unavoidable. It is essential however that any impacts are understood and, where possible, mitigated.
- 3.4 Climate Change / Carbon Clever – within the recommendations as set out in this report there are a number of aspects with a direct climate related impact. There are a number of proposals which can be considered as having a positive contribution to climate change or net zero targets, for example saving proposals related to investment in renewables, reduction in fleet, and reduction in the Council's asset base. Across the broad range of proposals and recommendations within this report, there will be a range of implications, positive or indeed negative, with any particular implications considered as part of the impact assessment of specific proposals.
- 3.5 Risk – the budget proposals as set out within this report are based on a number of assumptions and in any year's budget there are risks associated with the assumptions made and the recommendations proposed. Mitigation for such risks is based on review and challenge of assumptions before they are presented to members, as well as review and benchmarking with other Council's in relation to financial planning assumptions. The scale of the budget gap, and as a result the scale of financial savings set out in this report is significant, and represents a considerable challenge in relation to implementation and delivery. This is mitigated through the support of reserves and a multi-year planning approach to implement the savings and redesign or transformation of service. This report also gives an outline of the work being taken forward on a delivery plan which will come to the March Council and will underpin the delivery of a range of change activity across the Council. Finally, this budget is built upon the draft grant settlement for 2024/25, as adjusted for known or anticipated adjustments. The Local Government Finance Order will be considered by Parliament on 28 February and Council's will have their grant settlement confirmed at that date. If there are changes arising from the Order, these may need considered by Council on 29 February if they have a material impact, or any more modest changes may be matters which can be dealt with as post-budget events. In any year there are changes to the grant settlement following formal decision by the Council.
- 3.6 Health and Safety (risks arising from changes to plant, equipment, process, or people) – any particular risk implications have been considered within the specific impact section of saving proposals. Considering property related risk in particular, members will note a number of positive implications arising from recommendations, including additional funding and investment into property maintenance and investment budgets, alongside asset rationalisation and reconfiguration savings which will reduce the asset base and reduce the burden on maintenance budgets going forward.
- 3.7 Gaelic – any specific implications are assessed within specific saving proposals and referenced within the saving proposal document.

4. Economic Context and Wider External Environment

4.1 Reports to members over the past year have set out the wider macro-economic factors which have a very direct and significant impact on the Council's financial position, and the factors and assumptions which have led to the Council's budget gap. This section of the report provides some further context to inform this report, and member decision making.

Inflation

4.2 Inflation continues to be a primary factor in the Council's budget gap forecast, and in particular the level of budget gap in 2024/25 where inflation is still expected to be significantly above the UK Government target. As set out within the chart below, inflation as measured by the Consumer Prices Index (CPI), rose significantly over the course of 2021/22, reaching a peak of 11.1% in October 2022. Inflation has slowly trended down since that time, and the most current rate at the time of writing this report shows 4.0% as at December and held the same at January 2023. The UK Government target for inflation is 2.0% with this being the target that the Bank of England's Monetary Policy decisions are intended to achieve over time. The most recent Bank of England Monetary Policy Committee (MPC) meeting in February 2024 stated that CPI inflation is projected to fall temporarily to the 2% target in quarter 2 of 2024, before increasing again in Q3 and Q4 due to energy price inflation. CPI inflation is projected to be around 2.75% by the end of this year. It then remains above the 2% target over nearly all of the remainder of the forecast period. CPI inflation is projected to be 2.3% in two years' time and 1.9% in three years. Inflation impacts the Council's financial outlook in a number of ways, most directly through staff pay award expectations and settlements, contract inflation and the price of goods and services.

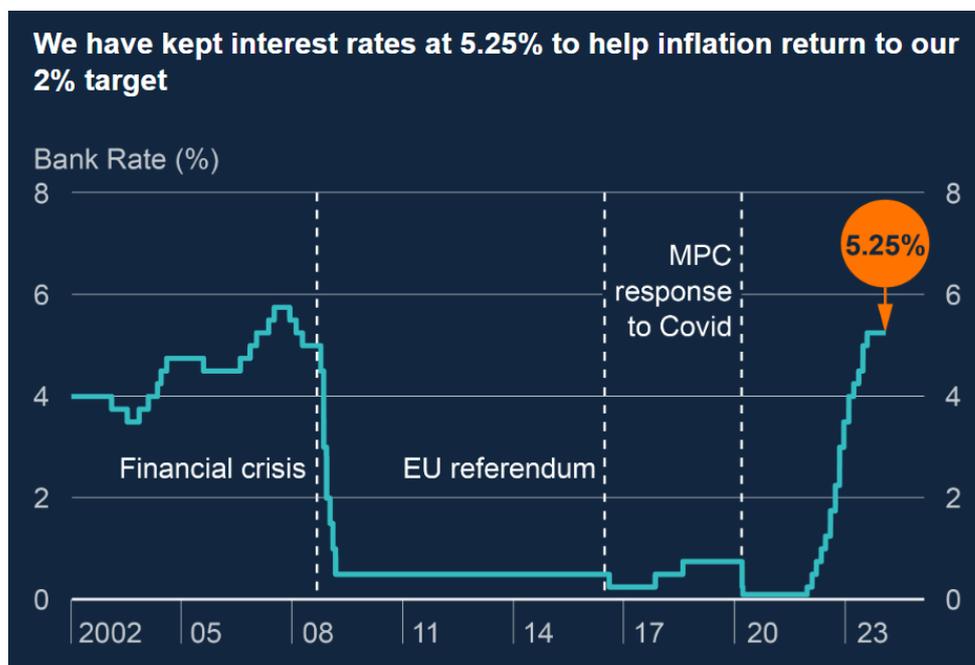


Source: ONS

Interest Rates

4.3 Interest rates are another significant factor in the Council's financial outlook. The chart below sets out the context of Bank of England base rates and their significant increase over the past 24 months. The high level of interest rates has a bearing on the Council's financial outlook through the direct impact it has on the Council's borrowing costs and affordability of capital investment, and indirectly through the

impact it has on cost of living implications for staff and our communities, and in turn the impact on costs of goods and services the Council buys. Despite the lowering of inflation over the past number of months, the Bank of England has held base rates at 5.25% for the past 5-6 months, and the Bank's most recent statement indicated that due to "*inflation persistence*" i.e. the expected length of time before a lower and sustained lower inflation environment is evidenced, that "*monetary policy will need to remain restrictive for sufficiently long (period of time).*" Economic forecasts suggest it may be the latter half of 2024 before any reduction in Bank base rates, and potentially a gradual reduction over a 12 month period with rates ending 2025 at 3%.



Source: Bank of England

Other Economic Considerations

- 4.4 It is widely expected that there will be a UK Government election during the course of 2024, which may in turn have wider economic implications depending on election outcome and the economic, tax and public sector spending strategies adopted. The current UK Government will also announce its March budget after the Council agrees its budget and council tax for the forthcoming year, and again there may be implications for Scottish Government budget plans as a result. Some further consideration of this latter aspect is set out later in this report within the section on Scottish Government grant settlement.

5. Budget Setting Context – Legislative Requirements and the Cipfa FM Code

- 5.1 It is vital that members understand the legislative requirements placed upon them and the Council to set a balanced budget, and in turn other key requirements and expectations defined within Codes of Practice adopted by the Council that are relevant to budget setting. The role of the Section 95 Officer, as defined in legislation, is also a key consideration. This report sets out in conclusion a statement by your Section 95 Officer, in compliance with the Cipfa FM Code, regarding the budget, the sufficiency of reserves and the Council's financial sustainability.
- 5.2 Legislative position. Section 93 of the Local Government Finance Act 1992 states that Members have a duty to set both Council Tax and therefore by implication the

next year's budget before 11th March in any year. This duty must be carried out by the full Council and cannot be delegated. This Section of the legislation also sets out process of budget setting commonly referred to as setting a balanced budget or the balanced budget requirement. The legal implications section of this report provides some further information in this regard.

- 5.3 The Cipfa FM Code. The Council has adopted the CIPFA FM Code, which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It is for all the corporate 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 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

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. Through this report, and reports to members over the past year on budget, the Council is meeting the requirements of the Cipfa FM Code.

- 5.4 Members will be well aware of some of the very serious scenarios within English Local Government and a number of Councils publishing S114 Notices which in effect puts an immediate 'handbrake' on some spending and results in a requirement for some very serious decisions and interventions. There is no legal equivalent of a S114 Notice in Scotland. What members do however need be aware is that the stark situation facing English Local Authorities which has led to S114 notices is not unique to England, and Scottish Councils are faced with the same real and significant challenges with expenditure demands far exceeding current and projected funding levels. Across Scottish Local Government, Section 95 Officers are considering further indicators and measures of financial resilience which can inform and support decision making going forward. The absence of the S114 legislative process in Scotland does not alter the role of the Section 95 Officer and the need of that Officer to provide appropriate reports and make appropriate recommendations to ensure financial prudent and financial resilience.

6. **Budget Assumptions, Related Risks and the Budget Gap**

- 6.1 Reports to members over the past 6 months have set out the context to the Council's budget planning, the assumptions made and forecast budget gap, as well as key risks. This section of the report sets out the position as relevant to the recommendations in this report.

- 6.2 The Council's budget planning has been predicated on a multi-year approach, in this case a three-year financial plan covering 2024/25 – 2026/27. This multi-year planning approach was taken by the Council given the scale of the financial challenge and budget gap, a recognition that the necessary change to achieve financial sustainability would take time and required a multi-year view, and finally recognising the requirements of the Cipfa FM code and other external factors such as Audit Scotland and Best Value where medium-term financial plans are necessary.
- 6.3 Past reports to Council have set out the forecast budget gap and the assumptions leading to that. A forecast £108.3m gap over three-years has been revised to £113m as shown below as a result of assessment of the implications of the Scottish Government grant settlement for 2024/25. **The gap as indicated below is before any mitigations and recommendations which are set out in this report to address the gap and ensure a balanced budget position is achieved.**

	Firm 2024/25 £m	Indicative 2025/26 £m	Indicative 2026/27 £m	Indicative 3 Year Total £m
Impact of use of reserves to balance 2023/24 revenue budget	23.270	-	-	23.270
Base Budget Adjustments	6.309	-1.565	-0.459	4.285
Pay increase assumptions	16.886	14.329	11.859	43.074
Pressures provision	15.000	12.000	10.000	37.000
Core Loan charges increase	1.500	1.500	1.500	4.500
Increase in council tax base	-1.278	-1.278	-1.278	-3.834
Reduction in Scot. Gov. grant	2.726	0.765	-	3.491
Scot. Gov. grant – new commitments	1.220	-	-	1.220
Budget Gap	65.633	25.751	21.622	113.006

- 6.4 The table below summarises the core budgetary assumptions used within this report. Some of which have been reviewed and refined as part of the ongoing budget process. The accompanying notes provide context to these assumptions and also highlight relevant risks or uncertainties that may relate.

	2024/25	2025/26	2026/27
Pay award budget assumptions (note 1)	3%	2.5%	2%
Non-pay Inflation provision (note 2)	Nil	Nil	Nil
Employer pension costs (note 3)	-1.5%	0%	0%
Core budget pressures provision (note 4)	£15m	£12m	£10m
Loan Charges (note 5)	£1.5m	£1.5m	£1.5m
Scottish Government grant (note 6)	0% (flat cash)	0% (flat cash)	0% (flat cash)
Income Inflation (note 7)	See note	See note	See note

Note 1: Pay: a reducing percentage assumption applies across the 3 years reflecting a forecast reduction in CPI inflation over time. In relation to risk, there is the risk that employee pay claims and expectations exceed the stated provision. To date a number of claims for 2024/25 have been submitted nationally and do exceed these assumptions. The Council however has to also consider affordability considerations, that any pay settlement will ultimately be a negotiated position, and finally there may

be the prospect that there could be scenarios whereby additional funding, e.g. from Scottish Government, could be forthcoming at a later stage or where pay settlements have direct Scottish Government involvement in negotiations e.g. Teachers. Every +/- 1% on pay costs has an impact of approximately +/- £4m on the budget.

Note 2: Non-Pay Inflation: the Council has not made any specific and over-arching allowance for inflation on non-pay costs. Rather than inflating all costs by a given percentage, which would neither be reflective of underlying costs or be affordable, the Council instead makes provision within budget pressures for specific and relevant increases in certain budgets for inflation or other factors. This approach is consistent with that taken by the Council for a number of years.

Note 3: Employer Pension Contributions: The budget must provide for known or expected changes in the cost to the Council as an employer through pension contributions. In relation to staff who are members of the Local Government Pension Scheme (LGPS) a reduction in employer contributions has been consulted upon, and results from the positive funding level the Council Pension Fund is in through the latest actuarial valuation. The budget is based on the proposed reduction in employer rates, which will be formally considered by the Pension Committee, on behalf of the Pension Fund, on 22 February. It is proposed that Employer rates for the Council would reduce from 19% of pensionable pay to 17.5% of pensionable pay from 1 April 2024. In relation to Teacher Pensions, there is an expected increase in Employer contribution rates (teacher pensions are funded on a different basis to the LGPS). While the costs are not as yet known, there is additional funding within the Scottish Government draft budget and the assumption is the funding provided will be adequate to meet the costs which will result (confirmation of Scottish Government intent to pass through funding has been received).

Note 4: Core budget pressures: as per note 2 above, rather than make blanket provision for a percentage uplift in non-pay costs, the Council budget provides for specific and targeted pressure funding to address inflation and other service delivery pressures. More information on pressures is set out later in this report.

Note 5: Loan Charges: the budget assumptions shown are based upon the capital programme as agreed by the Council in September 2023, and the latest assessment of costs and interest rate implications. Further recommendations relating to capital and investment are set out later within this report, with associated implications which add to the figures set out above. There remains the risk that interest rates remain higher for longer than current forecasts, or that when they fall they may do so at a slower pace than forecast. Loan charges are inevitably an aspect of the budget which is difficult to make firm forecasts on, more so into later years, given there are so many variables (level of capital spend, timing of capital spend, prevailing interest rates, timing of borrowing, source of borrowing, market conditions, etc). As such ongoing review and re-basing of loan charges on an annual basis will be required.

Note 6: Scottish Government grant: the budget planning assumption across the three-financial years was a flat cash 0% +/- per annum assumption. The actual position for 2024/25 is described in further detail later in this report, and comprises an underlying core cash reduction in grant, but with additional confirmed and assumed grant funding added over and above that, albeit with those increases linked to new spending commitments or conditions. Given those new spending commitments would be expected to have a neutral effect on the budget gap (grant funding in, new spending commitments out) it is the underlying core cash reduction which impacts the budget gap. In relation to the subsequent two financial years, for which there is no

grant settlement or indicative Scottish Government budget position, the assumptions remain as flat cash as reported to members in September 2023. There remains the risk and uncertainty as to what the actual level of grant settlement in those years may be. Every 1% +/- on the Council's grant equates to approximately +/- £5m of grant.

Note 7: Income Inflation: the budget is not based upon a single or blanket percentage assumption on income or increases to those budgets. The Council's income covers a range of categories including grant income, recharges both internal and external, and income from fees and charges. On this latter category, the savings proposals set out within the report reflect specific proposals on increases (specific £ or %) for different categories of fee income.

7. Scottish Government Grant Settlement

- 7.1 Around 80% of the funding for the Council's revenue budget comes in the form of Scottish Government grant. As per reports to Council over the last 6 months, the Council's budget planning assumption regarding the grant settlement for 2024/25 – 2026/27 had been an assumed 'flat cash' or 0% assumption. I.e. year on year no increase or decrease in the cash amount of grant received.
- 7.2 The Scottish Government draft budget was published on 19 December, and was a single year budget for 2024/25. On 21 December the Council received Scottish Government Finance Circular 8/2023 which provided the draft grant settlement for 2024/25. This setting out the Council's proposed grant for 2024/25, which will in turn be formalised following the normal period of consultation and then formal approval by Parliament via a Local Government Finance (LGF) Order scheduled for 28 February. The Council will not therefore know its final and confirmed grant settlement until 28 February, the day before consideration of this report. It is not however unusual for Parliamentary timescales for the LGF Order and the date of the Special Council meeting to not be aligned. For the purposes of this report, the budget is based on the Finance Circular from December, attached as annex 1, adjusted for known, estimated or assumed changes which are expected to be confirmed via the LGF Order. Should there be any further changes arising from the LGF Order on 28 February, these will be advised to members once known, in order that any implications for the budget can be considered. It would be unusual at this stage in the process for there to be any significant or materially negative implications arising from the LGF Order, though clearly the position will not be certain until 28 February. In the normal course of a year there can be expected to be post-budget changes to grant which are managed in-year and reported through Corporate Resources Committee.
- 7.3 The main elements of the grant settlement as per the December Finance circular are summarised below. As noted in the following paragraphs, there are assumed and estimated additions to these totals which have been assumed in the budget.

	2024/25 £m
General Revenue Funding	412.859
Ring-Fenced Grants	9.434
Non-domestic Rates distribution	159.842
Total Grant Settlement per Circular 8/2003	582.135

- 7.4 The grant settlement nationally included an underlying reduction in revenue funding totalling £62.7m, and a reduction in capital funding totalling £54.9m as highlighted by

Cosla analysis. The Council's respective shares of these reductions are £2.746m and £1.801m. While there has been a cash reduction in the core underlying grant, there has been some additional and targeted funding streams included in the settlement which do represent increases overall. Some of which are within the circular, some of which are based on estimates at this time. These additions however come with additional spending commitments, conditions or expectations. Further information is set out below. Members should note that it is not possible to set out a meaningful comparison of the total level of grant 2024/25 versus 2023/24, given limitations in the reconciling information provided by Scottish Government, and also due to the significant number of funding adjustments in 2023/24 and 2024/25 that relate to the 2023/24 pay settlement funding, and prevent like for like comparisons of funding.

- 7.5 The settlement included the baselining of the Early Learning & Childcare ring-fenced grant and of a number of other funding streams which, although previously included within General Revenue Funding rather than Ring-fenced Grants, were transfers from other government portfolios and were also effectively ring-fenced. At an all Scotland level, the Scottish Government has stated that approximately £1bn of funding has been baselined. The funding items which were baselined in 2024/25, and their values for Highland, are as shown below.

Funding baselined in 2024/25	2024/25 £m
Early Learning & Childcare specific revenue grant	22.380
Local Heat and Energy Efficiency Strategies	0.075
Community Justice Partnership Funding	0.062
Living Wage funding	14.966
Blue badge	0.027
Free Personal and Nursing Care	1.834
Former Housing Support Grant	0.048
Free Period Products in schools and public places	0.198
Free school meals	1.693
Total	41.283

- 7.6 In any grant settlement there are sums allocated to Local Government, or due to be, but where specific sums have not as yet been allocated or confirmed for individual Councils. Typically this may either be where the basis of grant distribution to Councils has yet to be agreed, and/or there remain other matters to be clarified or conditions to be fulfilled, for funding to be released. Often it is the LGF Order to be approved by Parliament on 28 February which will formalise these figures, though often there may be some funding streams which are only allocated later in the year. Given some of these funding streams represent expenditure commitments which are embedded in the Council's current budget or proposed budget plans, it is appropriate and reasonable to make assumptions on these funding streams within this report. Such assumptions are founded on the Scottish Government draft budget, the Circular as issued in December, Ministerial/departmental letters and communications from Scottish Government, and other information available to Section 95 Officers. The sums below which are estimated and incorporated into the budget proposed, are only done so where reasonable reliance can be placed on the estimate. Were any figures to alter as a result of the LGF Order or subsequent events, these may require revisions to budget assumptions. Only were any material change to arise, might it require a review of budget assumptions and plans as set out in this report.

Estimated Recurring Allocations assumed within this budget	2024/25 £m
Council tax freeze funding	6.865
Discretionary Housing Payments	2.393
Scottish Disability Assistance Admin Funding	0.066
Adult Social Care Pay Uplift	10.321
Early Learning and Childcare funding for PVI sector	0.686
School Clothing Grant	0.033
Total	20.364
Add funding per Grant Circular (para 7.3)	582.135
Total Scottish Government Funding assumed for 2024/25 Budget	602.499

7.7 Over and above the figures in the table above, there are a number of other expected additions/changes to the grant settlement, but where there is not currently sufficient information on which to base a funding or budget assumption. As is normal practice, once funding is known or confirmed, adjustments will be made to the budget in-year and reflected in regular revenue monitoring reports to the Corporate Resources Committee. Examples of such further funding additions include:-

- Teachers pensions – funding for employer contribution increased costs
- Children's Services £12 per hour real living wage – funding for commissioned services

7.8 The total grant funding confirmed and assumed for 2024/25 is £602.499m. The new expenditure commitments arising from new or additional Scottish Government funding, and met from this funding, are shown in the following table.

	2024/25 £m
Adult Social Care Pay Uplift	10.321
Early Learning and Childcare in Private and Third Sectors	0.686
Free School Meals *	0.218
Gaelic *	-0.005
Kinship Care *	0.583
Personal & Nursing Care for Older People *	0.499
Pupil Equity Funding *	0.029
School Clothing Grant	0.033
Scottish Assessors - Barclay Review *	0.011
Scottish Disability Assistance Admin Funding *	-0.122
Self Directed Support *	0.007
Total	12.260

* Included within £1.220m in budget gap calculation at paragraph 6.3.

7.9 Members will note from the Finance Circular, and in turn subsequent letters from relevant Scottish Government departments, that there remain a number of conditions and expectations which relate to the grant settlement. Key aspects have been summarised below.

- Council tax freeze – an original £144m, subsequently revised to £147.3m nationally, has been included in the settlement conditional on councils agreeing to a council tax freeze for 2024/25. It has also been confirmed by Scottish Government this funding would continue and be baselined in 2025/26. Further information on council tax is set out later within this report. The Council’s analysis is that Highland’s share of this funding would equate to the equivalent of a 4.8% council tax increase.
- Maintaining teacher numbers and protecting learning hours – nationally £145.5m of funding related to the maintenance of teacher numbers has been newly ring-fenced by Scottish Government and linked to a new agreement for 2024/25 that Councils individually will be expected to agree to. The form and wording of that agreement is as yet unknown, but the letter from the Minister which is enclosed as annex 2 states that *“My officials will be in touch with individual councils to agree grant conditions, including the number of teachers I expect to be maintained.”* Members will note the Minister’s letter also places conditions and the potential of regulations being introduced regarding learning hours. For Highland the share of that £145.5m grant funding would be approximately £6.163m.
- Ring-fence removal – as noted above there has been significant reduction in the value of ring-fenced funding. The communications from Scottish Government have however made clear in the context of that reduced ring-fencing that they continue to expect delivery of relevant commitments including ELC and Free School Meals, amongst other expectations.
- Adult Social Care funding of £241.5m nationally is clearly stated as for pass through to Integrated Joint Boards or in the case of Highland, to NHS Highland and with the condition that *“The funding allocated to Integration Authorities for Free Personal and Nursing Care and adult social care pay in commissioned services should be additional and not substitutional to each Council’s 2023-24 recurring budgets for adult social care services that are delegated.”*
- National Care Service NCS – *“we expect that local government will continue in good faith to engage in a range of discussions about future policy direction.”*

7.10 One final point of context related to grant funding, is potential Scottish budget consequentials arising from the UK Government allocation of an additional £600m to Local Government in England. It has been estimated that there may be circa £45m of which would flow into the Scottish Government budget. Cosla has been lobbying for additional funding as a result into Local Government in Scotland. Recent correspondence from the Deputy First Minister has however made clear no Scottish Government decision will be made until the outcome of the UK Government Spring Budget is known in March, and with no guarantee there would be any additional funding for Scottish Local Government. No assumption is made within this budget report as a result.

8. Budget Strategy and Closing the Budget Gap

8.1 Past reports to members have outlined a number of key elements of how the Council's budget strategy can address the forecast budget gap. This has founded on the following key elements:-

- Review of budget assumptions – the budget gap is based upon a range of assumptions including inflation, interest rates, cost pressures and other items. Ongoing review to ensure accurate, up to date and soundly based assumptions are used is essential, and where opportunities arise that can assist with reducing the budget gap, these are considered. This being balanced with the need to ensure prudent and reasonable budget provision.
- Fiscal flexibilities – past reports have set out the potential for a range of fiscal flexibilities to assist with the budget gap. These include decisions already made by the Council relating to Council Tax on Second Homes and Non-Domestic Rates Empty property relief, and also include future opportunities such as the Transient Visitor Levy legislation which is progressing through Parliament, and recommendations within this report relating to Schools PPP accounting flexibilities.
- Budget Savings – a key component of addressing the budget gap is the agreement of saving proposals to deliver recurring and sustainable cost reduction, income generation, redesign and efficiency savings. Saving proposals from the Council Administration are set out later within this report.
- Reserves – reserves represent another matter for consideration, and with recommendations set out in this report. Reserves are finite, and do not close the budget gap on a recurring and sustainable basis. As such they can be viewed as a short-term measure if, for example, further time is required to deliver the necessary recurring and sustainable budget savings required, and reserves can be viewed as support for a multi-year plan. Reserves can also be used for investment or to support change and transformation.
- Council tax – it is a matter for members to set their Council tax for the forthcoming financial year, and what assumptions are made on an indicative basis for the following two financial years. Later in this report information is presented to support member decision making in this regard. Since the Council's budget planning for 2024/25 first commenced, there has clearly been a change in Scottish Government policy position with the introduction of a council tax freeze and associated funding to support this.

8.2 This report sets out an update on each of these core elements of the budget, and with this report setting recommendations based on Council Administration proposals, which taken together, would provide a balanced budget position.

9. Budget Engagement

9.1 Understanding community priorities and views are a core part of informing the development of the budget each year. This information sits alongside service and

service user information and staff and member views to shape the budget proposals that come forward.

9.2 The Council's budget engagement for 2024-27 ran in two phases:

9.3 **Have your Say**

Running from November to December 2023, this period of engagement focused on gathering information about priorities, views and suggestions on income generation and being more efficient and how as an organisation the Council could work differently. Information was gathered through a Budget Simulator, Budget Survey and staff ideas page.

464 separate simulators were received, 2062 budget surveys, 39 budget surveys specifically from community groups and over 150 staff suggestions received.

Key messages from this phase of engagement included:

- Individuals completing the simulator - where it was required to balance the budget - were more likely to indicate support for a higher increase in council tax and fees and charges than those completing the survey.
- Individuals completing the survey were more likely to favour higher increases in fees and charges for discretionary or non-people centred services.
- Across the engagement tools utilised, respondents were more likely to prioritise universal services e.g. education, roads, winter maintenance, waste collection.
- Services that people indicated could be reduced tended to be those not universally used – trading standards, planning, support for business – or used by some of our most vulnerable clients – service points, advice on benefits, services to reduce offending.
- A range of suggestions were received on how the Council could reduce costs and increase income. These could be categorised under the following themes:
 - Being more efficient
 - Changing how we operate – doing things differently
 - Making better use of our assets and reducing the number of assets we have
 - Generating more income – particularly around tourism

9.4 **Phase 2: Tell Us More**

The second phase of engagement ran from the end of January until early February. This phase focused on seeking understanding of support and potential impacts for suggestions that had been received during phase 1 engagement.

The suggestions received were grouped under 4 key headings:

- Developing our Operating Model
- Redesigning our Asset Base
- Being more Efficient
- Generating Income

Under each heading were 3 or 4 suggestions per theme and views were sought to what extent people agreed/disagreed with the suggestions and whether, if taken forward, there would be any impact upon them or their family. A total of 1092

separate individuals responded to the phase 2 engagement, although response levels varied across the different strands and questions.

Key messages from this phase of engagement included:

- Over 70% of respondents either agreed or strongly agreed with the majority of the suggestions. The only exceptions to this could be found in the responses to *reconfiguring school assets* (67% agree/strongly agree), *increasing income from car parking* (65% agree/strongly/agree), *reducing services* (32% agree/strongly agree)
- Whilst the majority of people agreed or strongly agreed with the suggestions, more were likely to indicate that there might be some sort of impact although across the majority of suggestions, less than 20% of people indicated that this would result in a high impact.
- The exception to this was with: *Improving who provides services* (20% high impact), *Redesigning Services – People Focused* (22%), *Reconfiguring school assets* (23%), *Reducing Services* (44%)
- The suggestions in relation to stopping services, produced a different response. The only suggestion where there was a majority (agree/strongly agree) support was for stopping cutting grass/grass verges.

9.5 The information received from both phases of engagement has assisted in informing the development of budget suggestions and subsequently budget proposals. The information received will have wider application in the coming months, assisting to inform service redesign and further areas for change. The summary feedback for phases 1 and 2 can be found at the following [link](#).

9.6 Engagement with all elected members has also been a core part of the budget process over the past 5-6 months, with a number of regular reports to Council, written briefings, and face to face/virtual briefings from Officers, and meetings between the Council's Section 95 Officer and individual political groups.

10. Partnerships and Budget Assumptions

10.1 The Council has a number of partnerships and for those most strategic in nature, and where specific and significant budget recommendations relate, these are detailed within this section of the report.

NHSH

10.2 Through the Lead Agency model and Partnership agreement with NHS Highland (NHSH), the Council provides funding to NHSH for the provision of Adult Social Care Services. Members will be aware from past reports to the Health, Social Care and Wellbeing Committee of the significant operational and financial challenges faced by NHSH, and not uniquely, with many Integrated Joint Boards facing similar financial, staffing and other challenges.

10.3 Over the past year, there has been a new Joint Strategic Plan agreed for the delivery of integrated health and adult social care services. In that plan, there is a clear recognition and commitment regarding the need for change: *"We are also very mindful of the unprecedented demand and complexity of needs at a time when the finances we have available are not likely to be able to address these. If we continue to deliver services the way we always have then we will face a significant financial*

gap over the life of this plan which is not sustainable." There has also been a number of officer meetings, discussions, workshops to consider the financial challenges, and some of the transformational approaches that could be considered. In particular the Council facilitated workshop sessions with an external consultancy firm to explore how Digital Innovation could support savings delivery and transformation across Council Services. NHS Officers were in attendance and a number of audit social care themed opportunities were identified, which provide one strand of opportunity to support change.

- 10.4 It is recognised that while change needs to happen at scale, and with pace, there is also a significant programme of work and change that is necessary to identify options for change, implications and timescales. Officers from both organisations continue to engage on this and with a clear intent of a joint approach being taken.
- 10.5 While it is clear that the cost pressures within Adult Social care are placing significant financial pressures on NHS, it is also the case that the Council is faced with its own stark financial challenges as clearly set out within this report. In the face of a £113m budget gap, and the requirement for significant change and reduction in its own budgets, it is not possible for the Council to provide additional funding for Adult Social Care on an ongoing basis from within its own resources, and nor would that be appropriate as it is jointly recognised that current care models are not sustainable. As such the budget proposals set out within this report consist of three-main strands as described below.
- Additional core funding to Adult Social Care being the pass-through of funding from the Scottish Government directed for this purpose. Further information is set out in the grant settlement section of this report. This is estimated as £10.321m in relation to funding for a £12 per hour uplift for commissioned services staff plus a further £0.499m for Personal and Nursing Care within the grant settlement. In total £10.820m estimated and subject to formal confirmation by Scottish Government.
 - Reserves funding to support the Adult Social Care budget on a multi-year basis, and the process of change and transformation. The budget proposed earmarks £20m into reserves from Council funds, which will be available for drawdown by NHS Highland. The timescales and process for drawdown, and mechanisms to monitor and assess impact and outcomes have still to be formalised. It is likely that a very significant element of this reserve may be used in year 1 of the budget plan, and in turn in years 2 and 3. While this funding is from reserves, this will be drawn down on a multi-year basis.
 - Budget savings – the budget proposals include savings relating to the funding the Council provides for Adult Social Care. This, for reasons as stated above, is in recognition of the affordability challenge faced by the Council and the need to look across all Council budgets in considering means to close the £113m budget gap. In total the savings are £12.6m across the three-years, £7m of which falls into 2024/25.

High Life Highland (HLH)

- 10.6 Members will recall from past reports, and in the setting of the budget for 2023/24, that High Life Highland was faced with an underlying deficit position which had resulted from the impact of Covid-19 and the resulting period with significant reduction in High-Life user numbers and consequential reductions in income levels.

This was further exacerbated by levels of inflation and the impact on staff pay and other running costs which HLH directly met through the contract clauses applying at that time. The Council recognised the financial challenges being faced by its Arms-Length External Organisation (ALEO) and in the 2023/24 budget agreed in-year deficit support beyond core funding, after allowing for savings measures implemented by HLH. It was also agreed that a joint review of the Service Delivery Contract (SDC) would progress with the core aim of developing options and recommendations to put HLH on a sustainable financial basis going forward.

- 10.7 HLH has further improved its income position over the past year and has put in place additional budget savings and mitigations to address the in-year added costs of the 2023/24 pay award with overall savings totalling £2.7m. Officers from both organisations have progressed activity on the review of the SDC and with a joint officer Board established and external support for the review. Recommendations arising from this work will come forward during 2024/25. Meantime, the impact of cost pressures and the underlying deficit from 2023/24 results in an ongoing challenge and projected deficit for 2024/25. A number of saving proposals have been developed by HLH and with input from Council officers through the SDC review group, and a review of contract funding arrangements has taken place recognising the impact that pay settlement funding has on HLH's position. As set out below, this budget includes proposals to provide further deficit support from Council reserves in 2024/25, and potentially into 2025/26. With it projected a surplus position is achieved by HLH in year 3. The figures below are before any output and recommendations from the SDC review, which would be expected to provide options which could reduce the level of call on Council reserves over this period, and with the aim of achieving a financially sustainable position for the Council's ALEO going forward.

	2024/25 £m	2025/26 £m	2026/27 £m
HLH Forecast budget gap	4.046	2.764	0.894
HLH Income, Efficiencies, Reductions, New Revenue Streams	-1.282	-1.870	-1.200
Net remaining deficit (funding from Council Reserves)	2.764*	0.894*	-0.306 Surplus

*up to, pending SDC review outcomes which may reduce the projected deficit.

ELC

- 10.8 The Council provides funding for the delivery of Early Learning and Childcare (ELC) services provided by Private, Voluntary and Independent sector providers (PVI sector). Existing Scottish Government guidance sets out the expectations on local government in relation to the basis on which it sets funding rates for the PVI sector, and reports and briefings to Council during 2022 and early 2023 set out comprehensive detail on the ELC rate setting process as applied at that time.
- 10.9 Since the Council last reviewed rates for the ELC PVI sector, in its budget setting report of February 2023, there have been a number of relevant developments. Firstly, there has been an uplift in the Real Living Wage (RLW) by 10% to £12 per hour, and members will recall this is a key component of the cost of ELC delivery and there is a clear expectation within Scottish Government guidance that funding provided by the Council allows the sector to pay the RLW to their staff. Secondly, and related to the RLW, Scottish Government within the 2024/25 grant settlement

have allocated additional funding to Councils and with a clear expectation this is used to deliver a RLW uplift to £12 per hour for 2024/25. There has been discussion at both Officer and Member level nationally considering options and scenarios of a locally determined rate as has been the case to date versus Scottish Government directing the uplift to apply, and whether this would be a flat £ or % increase. At the time of writing this report, it is expected that Scottish Government will formally confirm to Councils that the funding allocated should support a common uplift in PVI rates, with this expected to be a 7.6% uplift.

- 10.10 The recommendations within this report are founded on that expected uplift approach, and the Council utilising the Scottish Government funding as intended, and also recognising the other pressures on the PVI sector in delivering ELC services, and the expectations within guidance that the rate set by the Council should recognise costs of delivery (which go beyond purely staff costs) and also allow for re-investment into their settings, whilst also considering affordability to the Council.
- 10.11 In relation to engagement with the ELC PVI sector, meetings took place between officers and PVI providers during 2023 and in January and February 2024 to discuss redesign and rate setting. PVI partners presented information in support of their request for an increase in funding and officers shared their proposals. The Scottish Government announcement in December 2023, proposing £12 per hour for ELC staff has been taken into account, alongside guidance and recommendation on the rate setting process.
- 10.12 The recommendations within this report are based upon the following:-
- An uplift in ELC PVI rate to provide for a 10% increase in the Real Living Wage to £12 per hour, on the basis that it is estimated that staff costs equate to approximately 75% of the costs of delivery. This would represent the minimum 7.6% uplift as it is expected will be directed by Scottish Government (confirmation of Scottish Government expectation still to be received).
 - An uplift on rate to recognise that non-pay costs (approximately 25% of their costs of delivery) have risen over the past year due to inflation and cost of living pressures.
 - An uplift to provide for a 2% allowance for re-investment in the setting. While it is recognised this does not go as far as some within the sector may have sought, it is nonetheless an important recognition of the need for investment and balances sector expectations with the affordability challenge facing the Council.
 - Overall this would result in the following proposed funding rates to apply from 1 April 2024. As noted earlier, this is provisional and pending confirmation from Scottish Government regarding the allocation of funding to Councils and the basis of uplift to apply relating to that funding.

	2 Year Old Rate per Hour	3-5 Year Old Rate per Hour
Current rates 2023/24	£6.66	£5.75
Revised rates 1/4/24 pending Scottish Government confirmation on funding and basis	£7.24	£6.39

- The funding for this proposal would be through the estimated £0.686m of funding expected to be received from Scottish Government for the RLW uplift in ELC PVI, and a further £0.175m of Council pressure funding.

11. Budget Pressures, New Commitments and Investment

- 11.1 Members will recall that within the budget planning for the three-year period, and part of the budget gap being faced, was the need to make provision for expected budget pressures over the three-year period. An estimate of £37m over the three years was assumed and referred to earlier in this report. This was a necessary and prudent approach recognising that inflation on the costs of goods and services, contract indexation for inflation, and other known or potential cost pressures would need funded to support ongoing service delivery.
- 11.2 All Services were asked to identify any potential pressures over the three-year period, and these have been reviewed by Officers, and scrutinised by the Finance Team. As part of the review process, consideration has also been given to (a) the extent to which pressures can be met from grant additions from Scottish Government where the cost pressure directly relates to the purpose the funding was allocated and (b) the extent to which some pressures may more appropriately be covered by reserves i.e. if the pressure is one-off or short-term in nature.
- 11.3 In assessment of pressures, and in doing so considering the reserves position, consideration has also been given to any scope that the assumptions made, may provide opportunity for investment. Further information on the Administration's proposals relating to Investment are set out in annex 3.
- 11.4 The table below summarises the recommended position relating to pressures and investment. Further details of which are included with annex 3.

(a) Budget Pressures Funded

Item	Firm 2024/25 £m	Indicative 2025/26 £m	Indicative 2026/27 £m	Indicative 3 Year Total £m
Inflationary Pressures	7.816	5.000**	3.000**	15.816
Other Cost Pressures	3.142	1.977**	0.091**	5.210
Capital multiplier pressure	2.000	3.000	5.000	10.000
Sub-total	12.958	9.977	8.091	31.026
Investment Funding – interest and financing	2.137	2.023	1.909	6.069
Total met from within £37m pressures assumption	15.095*	12.000	10.000	37.095

*Note 1 – the £0.095m excess above £15m in year 1 has been taken account of in balancing the overall budget position.

**Note 2 – as will be noted from Annex 3 which sets out further information on pressures, in years 2 and 3 an overall allowance/estimate for inflationary and other cost pressures has been included. This is not based on individual or calculated estimates of particular pressures. Pressures will require ongoing annual review and re-assessment as part of annual budget setting process. Given such pressures are linked to prevailing interest rates and other factors which cannot necessarily be

reliably predicted so far in advance of those latter years, it is appropriate and prudent to maintain an overall allowance in the budget planning as set out above. It would not be appropriate to reduce such allowance as a means of balancing the budget in years 2 and 3 at this stage, or to reduce savings targets, for the risk in due course it is proven that pressures are greater than the sum allocated and creating a financial challenge in those years, and less time in which that could be addressed.

(b) New Commitments met from Scottish Government Funding additions

Item	Firm 2024/25 £m	Indicative 2025/26 £m	Indicative 2026/27 £m	Indicative 3 Year Total £m
Total new commitments as detailed at paragraph 7.8 of this report	12.260	-	-	12.260
Total	12.260	-	-	12.260

(c) Budget Pressures met from Reserves on a One-off or Time-Limited Basis (funds to be earmarked as appropriate)

Item	Firm 2024/25 £m	Indicative 2025/26 £m	Indicative 2026/27 £m	Indicative 3 Year Total £m
High Life Highland – Estimated Deficit	2.764	0.894		3.658
Property Maintenance	2.000	2.000	2.000	6.000
Waste and Recycling - Persistent Organic Pollutants (POPS)	1.500			1.500
Corporate Change – Finance/HR/Payroll systems	0.750			0.750
Corporate – Insurance Fund	2.000			2.000
Corporate – Interest and Treasury Management	3.000			3.000
Corporate – Gaelic translation services	0.052			0.052
Total	12.066	2.894	2.000	16.960

(d) Investments provided for from Earmarked Reserves

Item	Total £m
Community Capacity Building	1.200
Future investment capacity fund e.g. further change and transformation, digital innovation, future investment in renewables, bus operations	17.491
Total	18.691

12. Financial Flexibilities

- 12.1 Past reports to members have highlighted that financial flexibilities represent on aspect of how the Council can look to address its budget challenge, and members have to date made decisions on a couple of aspects relating to Council Tax on Second Homes (14 December Council) and changes to the Non-Domestic Rates Empty Property Relief Scheme (Corporate Resources Committee 7 December).
- 12.2 Members have also noted in past reports that there are further potential income and opportunities which relate to the Transient Visitor Levy (TVL), legislation for which is currently progressing through Parliament. On a similar theme the national work being taken forward regarding a Cruise Ship Levy is also relevant, albeit at a less advanced stage and as yet unclear if or when this might translate to a Legislative proposal. Finally, the Council continues to consider any opportunities which may be available from debt and treasury management. These further opportunities are not anticipated to be realisable in 2024/25, and in the case of TVL it is not considered likely that any levy could be implemented, were the Council minded to do so, before 2026/27. As such it is only broad planning assumptions reflected within this report, in the latter two years of the financial plan, which would need reviewed and refined as part of the annual budget setting process in future years.

PPP Service Concessions Accounting Flexibility

- 12.3 The final matter related to financial flexibilities relates to an accounting flexibility relating to School PPP costs, the topic of which has been included in past reports to Council. The Council's Section 95 Officer circulated a briefing to all members in January 2024, recognising the technical complexity of the flexibility available to the Council, and to give members the opportunity to clarify any points in advance of any decision. Members will have noted from that briefing the key aspects of the flexibility, which are summarised below.
- The Council has 3 contracts for schools financed under Private Finance (PPP) arrangements. The current annual value of these contracts is £31.7m p.a. The contract terms for each contract range from 25-30 years duration.
 - The long-standing accounting rules in place have required the Council to annually charge the actual contract cost paid to the Companies to the revenue budget (the £31.7m p.a.).
 - Scottish Government introduced a number of Finance Circulars (rule changes) during the Covid-19 period to give Councils some accounting flexibilities to manage the significant financial challenges being faced. The accounting flexibility related to school PPP contracts is one which Highland has not yet considered or taken a formal position on. Other Councils have implemented during 2022/23 or are considering in 2023/24.
 - The Council currently charges the actual contract cost paid to the PPP companies to the revenue budget on an annual basis. In line with existing accounting rules. This means charges are spread over the 25-30 year contract term.
 - The Scottish Government accounting flexibility allows Councils to change their accounting basis, to spread the accounting for contract costs over an extended

period aligned with the expected useful life of the school assets. The Council can also retrospect the financial impact of any change made to the accounting basis.

- The change would bring the accounting for these contracts more into line with how the Council accounts for its own capital financed schools. For Highland this would mean changing from accounting for costs over 25-30 year contract terms, to account for PPP over 45 years.
- The accounting change will result in a large retrospective credit which would go into Council reserves (estimated at £68m) and would result in ongoing credits over the short to medium term (next 12 years) which on average are circa £6m p.a.
- In total it is estimated that the accounting change will result in net credits of £146m. And in turn net debits (charges) into future years of £146m. Should the Council agree to implement these Financial Flexibilities, the decision will commit a future Council to meeting this £146m in future years.
- The decision to take the accounting flexibility is only available in 22/23 and 23/24. Effective 1 April 2024 the opportunity ceases.
- Once a decision is made it cannot be reversed, the Scottish Government circular which introduces the accounting flexibility is explicit on this point.
- The changes described are accounting changes only, they do not result in a cash change as the contracts will continue to be paid on current terms.
- What this means is that the credits created from the accounting change are not cash backed (i.e. they are purely accounting entries, as the Council is not producing an additional income stream or reducing actual contract costs).
- The result is that to utilise the reserves (e.g. spend, use in budget, etc) will result in a financing cost i.e. additional borrowing would be incurred and additional interest costs charged to revenue to create the cashflow to support use of the reserves. The impact would clearly depend on timing of use, the amount used and interest rates. Assumptions have been made within this budget report to make reasonable and prudent provision for potential interest costs.
- By implication if the credits were not used (i.e. simply left on balance sheet) there would be no additional borrowing or interest costs.
- Regarding longer-term implications, the accounting change would extend the period over which charges are made into revenue and commit the Council to meeting the accounting charges beyond 2041/42 when all contracts cease.
- As seen in the table and annex 4, the financial model shows where the financial model switches from credits to debits (charges). The Council would have to manage that transition and could choose to retain reserves to smooth the effect of the financial model. Financial year 2036/37 in particular within the financial model sees a transition from a credit of £8.501m in the prior year to a debit charge of £2.982m.

- The Scottish Government circular is clear that it would require a full Council decision to implement the change, with a report (this report) detailing the implications and stating that the change is affordable, prudent and sustainable. This report fulfils that requirement.
- By inclusion in a 29 February report to Council, this would ensure any decision made is in the context of the Council's overall financial position, budget strategy and budget setting.
- In summary, the financial aspects of the change in accounting treatment are summarised below

	Total of PPP schemes			
	Current position	Principal repayments based on simple 45 year annuity		
PPP principal repayments	Current repayment £000	Revised repayment £000	(Reduction) /cost £000	NPV 3.5% £000
pre 2023/24	84,223	22,554	(61,669)	(61,669)
2023/24	9,071	2,570	(6,501)	(6,282)
Yrs 2 to 5	36,363	11,788	(24,575)	(21,851)
Yrs 6 to 10	48,395	18,837	(29,559)	(22,419)
Yrs 11 to 25	52,067	98,788	46,722	19,009
Yrs 26 to 40		75,583	75,583	26,790
Total	230,119	230,119		(66,422)

- 12.4 It is recommended within this report that the accounting flexibility is implemented in 2023/24. Annex 4 provides further detail on the financial elements of the proposal and includes a year by year analysis of the financial implications of the proposal, which was developed by LINK the Council's treasury advisor who has worked with a number of other Councils on this matter.
- 12.5 In proposing the use of the accounting flexibility, the Council will be doing so in recognition of the short to medium term benefits which result, and how these can assist and support its budget proposals and strategy, and in recognition of the longer-term implications that result and will need managed in future years. The change would bring the accounting treatment of PPP costs into alignment with the Expected Useful Life of the assets and more consistent to how the Council accounts for its own capital financed assets. The accounting entries would be implemented as part of the 2023/24 Annual Accounts closure process, and through that be subject to External Audit at that time. Finally, in taking this accounting flexibility it is being done on the following assessment over the life of the asset.
- Affordable – the modelling approach shows a positive net present value analysis of the accounting changes. Also, while ongoing costs would need accounted for after the end of the PPP contract and beyond the status quo position, these can be considered affordable in the context that the existing net budget for the contract costs is a potential funding source, future decisions related to how the Council manages end of contract and transition to Council ownership and operation have yet to be taken and will be a key matter to consider, and the lead time (many years) gives time and opportunity for future budgetary decisions to consider how longer-term implications can be managed.

- Sustainable – the generation of the retrospective credit can help sustain the Council’s budget strategy and achieving a financially sustainable position in the current and short to medium term.
- Prudent – the approach better matches the costs to the useful life of the assets.

12.6 In summary, the assumptions and proposals within this report which fall within the category of financial flexibilities are summarised below.

	Firm 2024/25 £m	Indicative 2025/26 £m	Indicative 2026/27 £m	Indicative 3 Year Total £m
Council tax on 2nd Homes & LTEs	5.300	-0.300	-0.300	4.700
NDR empty property reliefs	0.500	0.300	0.200	1.000
Future opportunities which may include Transient Visitor Levy, Cruise Ship Levy or other possible funding and flexibilities			10.000	10.000
Debt & Treasury management		1.000	1.000	2.000
PPP Service Concessions	6.000			6.000
Total	11.800	1.000	10.900	23.700

Impact on Net Expenditure Budget	6.500	1.300	11.200	19.000
Impact on Funding	5.300	-0.300	-0.300	4.700
Total	11.800	1.000	10.900	23.700

13. Budget Savings

- 13.1 Through the budget process, a key element of reporting to members has been a focus on the need for a multi-year budget approach, recognising both the scale of the financial challenge, and the time necessary to deliver change and budget savings.
- 13.2 The approach to savings has been built upon the extensive process of budget engagement described in this report, and in turn the range of suggestions for savings that was developed from that process, and reflecting ideas, comments and suggestions from staff, the public and elected members.
- 13.3 The Administration budget saving proposals as set out within this report, are presented within the following core themes of activity.
- Redesigning Council Operating models
 - Looking at Our Asset Base
 - Being more efficient
 - Generating Income
- 13.4 As stated elsewhere within this report, where savings have an associated reserve requirement to support change and saving delivery, this is captured in the separate section on reserves.
- 13.5 The following table gives a short summary position on the overall savings proposals within this report. Annex 5 provides further information and sets out the budget savings proposed.

	2024/25	2025/26	2026/27	3 Year Total £m
	£m	£m	£m	
Operating Models	12.087	6.720	5.138	23.945
Asset Base	0.740	1.710	1.750	4.200
Efficiency	6.704	1.334	2.638	10.676
Income Generation	6.548	3.710	5.555	15.813
Totals	26.079	13.474	15.081	54.634

These totals exclude any savings related to High life Highland which are reflected within section 10 of this report.

14. Delivery Planning

- 14.1 Following the agreed Budget by Council on 29 February 2024, we will present to Council on 14 March 2024 the Council Delivery Plan 2024-2027. The Council Delivery Plan will form part of our strategic approach to planning. It will set out our contribution to the Highland Outcome Improvement Plan and the implementation of the Council's Programme 'Our Future Highland' and associated Performance Plan. Each of these establishes a range of commitments and requirements and The Delivery Plan will describe how these workstreams will be taken forward in 6 Portfolios, as outlined previously to Council.

15. Workforce Planning

- 15.1 Our staff resource is key to the delivery of our valued services to our communities. Developing our Operating Model, redesigning our asset base, being more efficient and generating income will require innovation and developing staff skills and building on staff agility, flexibility and joint working with our partners to support our workforce to achieve these aims. The Workforce Strategy will continue to contribute to driving the desired change and savings outlined in this paper to enable the budget to align with the staffing resources needed. There will be an emphasis on changes in practice and staff behaviour to achieve the savings from hybrid working, digitalisation and other efficiencies. Staffing implications are shown in the slide packs. The Council also has a longstanding commitment and track record of avoiding redundancies, wherever possible and council policy and process will be followed when staff numbers require to be reduced.

16. Reserves

- 16.1 Reserves are an important part of the Council's budget strategy, and in December 2023 the Council approved a reserves strategy, including the endorsement of retaining as a minimum, general reserves equivalent to 3% of the Council's budget, which for 2024/25 would equate to around £23m.
- 16.2 The Council has two main aspects to its General Fund reserves, the non-earmarked reserves being the General reserve included in which is the 3% minimum target, and in turn earmarked reserves which are sums earmarked for a range of specific purposes. As noted in section 12, as a result of the PPP accounting flexibility, if agreed, that would increase Council reserves by just under £68m.

- 16.3 Annex 6 provides a detailed breakdown of earmarked sums, current and proposed. The annex details those new and additional earmarking amounts that relate to this budget report.
- 16.4 The recommendations in this report will increase reserves (via the PPP accounting flexibility), result in reserve use to support and balance the budget across the three-financial years, and earmark reserves to support change management and savings delivery, budget pressures and investment. The table below provides a brief summary of the reserves position.

	Non Earmarked Reserves £m	Earmarked Reserves £m	Total £m
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Projected reserves position:

Balance 31/3/23 per Audited Accounts	70.513	61.309	131.822
Net movement estimated during 2023/24	-23.157	-16.483	-39.640
PPP accounting flexibility		67.951	67.951
Projected balance as at 31/3/24	47.356	112.777	160.133

Proposed use of reserves:

Existing earmarked reserves		44.826	44.826
New earmarking proposed in this budget report for:-			
- Savings delivery and change		32.300	32.300
- Budget pressures		16.960	16.960
- Investment		18.691	18.691
Proposed use of reserves within this report for balancing the budget across three years	23.978	-	23.978
Retained reserve for 3% minimum target	23.378*	-	23.378
Total (reconciling to projected balance above)	47.356	112.777	160.133

*3% minimum target for 2024/25 equates to a target minimum reserve level of £23m, with the residual value above meeting that target and sitting marginally above.

- 16.5 Members will note that as a result of the budget proposals, there will be full earmarking of relevant reserves, and after allowing for planned use in balancing the budget, the residual non-earmarked general reserve would sit slightly above the 3% minimum target level. The final position for 2023/24 will not be known until the Council's accounts for the year are concluded, and an out-turn position known. For this reason it would be prudent for the projected balance to sit slightly above the 3% target as shown.

17. Council Tax

- 17.1 Council tax represents what is essentially the final and balancing aspect of any year's budget decisions. Council tax income represents around 20% of the Council's income for its budget. As noted earlier in this report, legally by 11th March the Council must set its council tax for the coming financial year.
- 17.2 For 2024/25 Scottish Government have added into the grant settlement funding to support a council tax freeze in that year, with this stated within the grant circular as follows. *"The funding earmarked is equivalent to a 5% net increase in Council Tax nationally."* The position varies within individual Council's and for Highland the cash funding available, being £6.865m, is equivalent to a 4.8% increase in council tax.
- 17.3 Council's also received communications from Scottish Government in February 2024 which stated that *"I can provide you with reassurance that it is my intention that funding provided in 2024-25 for the purposes of freezing Council Tax, will be baselined into the General Revenue Grant in future years for those councils which freeze their Council Tax. In this way, no council which freezes its Council Tax in 2024-25 will see their starting position in 2025-26 worsened as compared to had they raised their Council Tax by 5%. This decision will be formally confirmed in the Scottish Budget for 2025-26."*
- 17.4 The recommendations with this report are based upon a proposed freezing of Council tax in 2024/25. Which would result in £6.865m of Scottish Government funding as assumed within this budget. Annex 7 sets out the council tax charges by Band.
- 17.5 In relation to the following two years, 2025/26 and 2026/27, it will be in the respective February/March of each of those years that the Council will be formally asked to set its council tax. For the purposes of this report, the Council will not be formally setting a council tax for those years, but in support of the Medium-Term Financial Plan, will set out an indicative position. As illustrated in this report, an indicative 5% per annum increase in council tax in those years is shown, and based on the other assumptions would suggest could achieve a balanced budget in those years.
- 17.6 This indicative year 2 and 3 position can only be considered such, given the Council does not as yet know its grant settlement for those years, and it can be expected that other budget assumptions for those years will need reviewed and revised. Only as part of the annual and formal budget and council tax setting approach of each year can the Council therefore formally determine its council tax position.
- 17.7 In the context of that indicative 5% per annum position, there is clearly the risk that should the Council's financial circumstances dictate, the Council may be faced with a need to increase beyond that level if it cannot determine other means by which to balance the budget in those years. Or it could be the case that the Council may make a clear decision to look to increase council tax as a mechanism to support growth or investment in aspects of its budget. Conversely there could be the scenario where circumstances improve as such the Council could be in a situation where it may wish to, and be in a position to, go for a lower than indicated tax increase. An indicative position is just that, and as such gives clear scope to revisit assumptions as part of the annual budget setting process.
- 17.8 By way of illustration, a +/- 1% on council tax would typically have an effect of +/- £1.4m in relation to the budget. The compound effect of tax rises on the tax base,

and also the current tax freeze in year 1, mean that the exact impact of a +/-1% will vary in each year and typically have a larger impact in years 2 and 3.

18. Budget Summary

- 18.1 Taking the various elements of the budget proposed as set out in this report, the following table gives an overview of the budget position, showing a firm balance budget for 2024/25 and indicative budgets for 2025/26 and 2026/27 which are shown as balanced based on the assumptions made.

	Firm 2024/25 £m	Indicative 2025/26 £m	Indicative 2026/27 £m	Indicative 3 Year Total £m
Budget Gap per Section 6	65.633	25.751	21.622	113.006
Add : Reverse Previous Year Use of Reserves to Balance the Budget	0.000	9.927	12.922	22.849
Review of Budget Assumptions	-10.962	-1.094	0.271	-11.785
Financial Flexibilities	-11.800	-1.000	-10.900	-23.700
Budget Savings	-26.079	-13.474	-15.081	-54.634
Assumed Council Tax/SG Funding for C.tax freeze	-6.865	-7.188	-7.705	-21.758
Use of Reserves to Balance the Budget	-9.927	-12.922	-1.129	-23.978
Remaining Budget Gap	0.000	0.000	0.000	0.000

Annex 8 sets out a three year proposed budget.

18. Capital Investment

- 18.1 There are no specific capital programme updates or decisions for consideration within this report. Members will note that within the proposed budget there is an increase in funding for loan charges of £1m per annum across the three-year period (totalling £3m by year 3) which would support an increase in capital investment. Refer to annex 3 and paragraph 11.4(a). Decisions on capital would take place following decisions in setting the revenue budget, and in the context of a capital strategy report to Council.

19. Risks

- 19.1 There are clearly a significant number of risks that relate to any budget report, and in particular for consideration in this report, and given the budget plan spans across more than one year, and there are a significant number of internal and external factors which represent material risks or uncertainties to the Council's budget. Throughout this report references to relevant risks or uncertainties are stated. This following section of the report references those that are considered most significant, and for members attention.
- 19.2 Teacher Numbers and Learning Hours. As referenced earlier in this report, and per the letter received from Scottish Government enclosed as annex 2, there are risks related to the clear statement from Scottish Government regarding the maintenance of teacher numbers and the protection of learning hours. At the time of writing this report, the Council is not aware of what form or specific conditions may sit within the agreement that Scottish Government are expecting with individual Councils on teacher numbers. With £145.5m of funding related to teacher funding expected to be

confirmed as a ring-fenced grant, and linked to the agreement on maintaining teacher numbers at a given level, there is therefore a risk related to the Council's share of that funding. Estimated as £6.163m. Members will note from the budget proposals set out in this report that no specific and direct saving proposals related to teacher numbers has been included. Which therefore mitigates against this risk to an extent. It must however be highlighted that there remains an expectation that pupil roll numbers will continue to fall, and parental choices may lead to the mothballing of schools. Therefore for natural reasons rather than Council decisions, it may be the case that teacher numbers are lower year on year. It is also not possible at this stage, and before sight of the specific agreement and conditions that Scottish Government may apply, and pending decisions from members on 29 February, to state what the Council's position on teacher numbers may be.

- 19.3 Adult Social Care. There are significant risks facing the Adult Social Care budget given the financial pressures being faced and the level of savings which will need to be achieved. Given NHS is forecasting its own pressures within Adult Social Care, the overall level of savings to be delivered will be over and above the targets set by the Council in this report. There remains a significant risk and challenge regarding the ability and timescale to achieve the necessary change and savings delivery within Adult Social Care. This will need to be an area of focus for the Council in its own Delivery Planning and Budget monitoring, and its ongoing joint working with NHS Highland and monitoring of transformation progress and use of reserves. There is also the risk to the Council from the current Integration Scheme which defines the agreement between NHS Highland and the Council, and the potential Council exposure to overspend on Adult Social Care if change and transformation is not achieved. Scottish Government are also likely to scrutinise Council budget plans in relation to Adult Social Care once. Through the proposals in this report, the Joint approach to transformation, and the Council earmarked reserves to support that change on a multi-year basis, are all intended to mitigate against such risks and deliver the change that has been considered necessary and recognised in statements in the Joint Strategic Plan for adult social care.
- 19.4 Savings delivery. The level of savings contained within the budget proposed are significant in scale and also reach into new, innovative or higher risk areas of activity. The scale of proposed saving from transformation and change to operating model, income generation, asset rationalisation and renewables income are examples of where the proposed budget savings do carry a risk and uncertainty beyond what may have been the case in recent years budgets. Mitigation for such risks comes through the extensive officer review and cross-service collaboration that has been used throughout this budget process; the review, scrutiny and challenge applied to budget proposals; the refinement and sometimes scaling back or re-profiling of savings to prior to presentation in this report; and finally the Delivery Planning approach as described in this report and which will form a full report to the next Council, and underpin the delivery and ongoing monitoring for the savings within this report. The holding of reserves also represents an absolute backstop position and risk mitigation which can protect the Council should the level of saving delivery not materialise at levels or the pace anticipated.

20. Statement by the Section 95 Chief Financial Officer

- 20.1 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. To underpin and ensure that members have a clear understanding of the financial resilience and sustainability of the Council. That statement by the Council's Section 95 Officer, the Head of Corporate Finance, is provided below.

Statement on the 2024/25 – 2026/27 Revenue Budget and sufficiency of reserves

- 20.2 This report details the basis of core assumptions that underpin the budget, and highlights any particular risks or uncertainties that relate to those. The estimates and assumptions that are used, have been based on the best information available, reference to other external information sources or comparison data where available, and based on the judgement of relevant professional staff.
- 20.3 This report provides a comprehensive position on Council reserves, and particular recommendations that relate to use or earmarking of reserves. The Council agreed in December 2023 a Reserves Strategy for the Council, and this underpins the assumptions and proposals within this report. The Council is currently in a positive reserves position, and subject to decisions within this report can expect to see a significant increase in reserves forecast to 31/3/24. The particular implications relating to the PPP accounting flexibility as it relates to the Council reserves position have been described in detail in this report, and through briefings to members. Through this report there are a number of recommendations that relate to planned use of reserves, or earmarking of reserves. Such recommendations are in line with the Council's Reserves Strategy. It is of particular note that while reserves are being used to support a balanced budget position across the three financial years, by year 3 (2026/27) the proposed Reserves use is at a relatively low level and represents a significant step forward in relation to financial sustainability. The Council's reserves strategy is to hold as a minimum a General reserve equivalent to 3% of the revenue budget, or circa £23m. The budget proposals within this report allow that position to be achieved and should allow it to be sustained across the three year period. The Council also has a significant level of earmarked reserves, for a variety of stated purposes, and many of which will be used to support change, transformation and sustainable service delivery. Drawdown of these earmarked reserves would not be expected to be fully the case over the three-year term of this financial plan, and those earmarked reserves are also not wholly or legally committed to expenditures. As such, earmarked reserves also provide a backstop contingency with scope for the Council at a future point to revisit earmarking assumptions should it want, or indeed ever need to. The Reserves held by the Council are in the opinion of the Section 95 Officer in line with the Council's Reserves Strategy, and at a sufficient level.

Statement on medium to long-term financial sustainability

- 20.4 Members will recall that in the March 2023 budget report, there was a clear and stark message from the then Section 95 Officer. That report stated *"It is the view of the Chief Financial Officer that the Council, in its current form and model of service delivery, is not financially sustainable over the medium term."*
- 20.5 The underlying risk and challenge that faces the Council, and led to that statement has not altered. The Council remains in a still relatively high inflation and interest rate environment. Costs of service delivery are increasing, as are demands for services in many areas, and community expectations. Against a backdrop of ongoing pressure on public sector finances and no apparent prospect of an improvement in grant settlements over the short to medium term. The prospect of real-terms reductions in funding over the coming years remain.

- 20.6 What is however represented in this budget report, is a significant change in financial planning approach, represented by the saving and other budget proposals contained within, and the adopting of a multi-year medium term financial planning approach.
- 20.7 The taking of a multi-year approach, and the ambitious, but also challenging savings targets, have a very clear intent of ensuring that over the course of the three year plan the Council improves its financial sustainability. As demonstrated by the budget proposals as set out, by year 3 the Council expects to have significantly reduced its use of reserves to balance the budget for the year. With a relatively modest, by recent comparisons, £1.1m in that year. Over the entire three-year budget plan, the level of recurring and sustainable budget savings, income generation, fiscal flexibilities and other budget proposals, considerably outweigh the level of reserves use proposed to balance the budget. Which represents an important measure of the sustainability of the budget position. Across the three years, the level of reserves to balance the budget, sit at only slightly more (£23.9m) than the equivalent sum used in setting the single year 2023/24 budget (£23.3m). Previous decisions by the Council, in September 2023, relating to the capital programme and bringing that to a level that the Council considered affordable, prudent and sustainable, is also a significant factor and a clear and positive decision to improve ongoing financial sustainability of the Council.
- 20.8 **It is the view of the Section 95 Officer that the Council is therefore making important and positive steps towards improving its medium to long-term financial sustainability.** But this must be recognised as in the context of an environment of an ongoing pressure on public sector finances, and little prospect of this changing short-term. It is critical however to recognise that the setting of a budget alone does not represent the achieving of a financially sustainable position. It will be the essential work that takes place in the days, months and indeed years beyond 29 February, to deliver within that three-year budget plan which is essential. Close monitoring of savings and of transformational change delivery, will be essential to ensuring the budget plan is delivered.

Designation: Head of Corporate Finance

Date: 19 February 2024

Author: Brian Porter, Head of Corporate Finance and Section 95 Officer

Background Papers:

Appendices:

Annex 1	Scottish Government Finance Circular 8/2023
Annex 2	Letter from Cabinet Secretary for Education and Skills regarding Teacher Numbers and Learning Hours
Annex 3	Pressures and Investment
Annex 4	PPP accounting flexibility financial modelling

Annex 5	Budget Saving Proposals
Annex 6	General Fund Earmarked Revenue Reserves
Annex 7	Proposed Council Tax charges by Band
Annex 8	Proposed Revenue Budget summary 2024/25 – 2026/27



Email: ellen.leaver@gov.scot

Local Government Finance Circular No. 8/2023

Chief Executives and Directors of Finance of
Scottish Local Authorities

Chief Executive, Convention of Scottish Local
Authorities (COSLA)

Type text

Our ref: A46473266
21 December 2023

Dear Chief Executive/Director of Finance

LOCAL GOVERNMENT FINANCE SETTLEMENT 2024-25 NON-DOMESTIC RATES

1. This Local Government Finance Circular provides details of the provisional total revenue and capital funding allocations for 2024-25, as well as the latest information on current known redeterminations for 2023-24. This Circular also provides details on a range of Non-Domestic Rates measures, including the proposed 2024-25 poundage and changes to certain reliefs.
2. These provisional total funding allocations form the basis for the annual consultation between the Scottish Government and COSLA ahead of the Local Government Finance (Scotland) Order 2024 being presented to the Scottish Parliament. This is currently scheduled for the end of February 2024.
3. We expect local authorities to inform COSLA, and for COSLA in turn to inform the Scottish Government by no later than 23 January 2024, if they think there are any discrepancies or changes required to these provisional allocations. Redistribution(s) to address any agreed discrepancies or changes will be undertaken within the total settlement allocations set out in this Circular and not through the provision of any additional resources by the Scottish Government. The allocations are therefore provisional only at this stage, with the final allocations not being confirmed until after the end of the consultation period and the publication of the Local Government Finance Circular which will follow the approval of the Local Government Finance (Scotland) Order 2024.
4. The Deputy First Minister wrote to the COSLA President, copied to all Council Leaders on 19 December 2023, confirming the package of measures that make up the settlement to be provided to local government. This Circular should be read in conjunction with that letter. The terms of this settlement have been discussed with COSLA on behalf of all 32 of its member councils.
5. The Scottish Government will work in partnership with local government to implement the budget and the joint priorities in return for the full funding package worth £13.9 billion and includes:

- £950.9 million of funding that has now been baselined in to the General Revenue Grant, as part of our commitment under the Verity House Agreement to review ring-fenced funding;
 - An additional £230 million to deliver the payment of £12 per hour minimum pay settlement for adult social care workers in commissioned services via agreed contract uplifts;
 - An additional £11.5 million to support the uprating of Free Personal and Nursing Care rates;
 - An additional £6 million to support the expansion of the Free School Meals policy;
 - An additional £6.8 for Discretionary Housing Payments;
 - £145.5 million to support additional teachers and support staff;
 - £242 million to support teacher pay uplifts; and
 - £266.2 million of resource to support local government pay.
6. In addition to the funding set out in this Circular it should be noted that there are a number of further revenue and capital funding streams outwith the local government finance settlement for particular policy initiatives which deliver on shared priorities and benefit local government services. Table 2.17 in the Scottish Government’s “Budget Document: 2024-25”, which was published on 19 December 2023, provides provisional details of these funding streams but as with previous years, the actual sums payable will be notified by the relevant policy team at the earliest opportunity.
7. The 2024-25 Scottish Government Draft Budget also made available £144 million to fund a freeze in Council Tax across each of Scotland’s 32 local authorities. The funding earmarked is equivalent to a 5% net increase in Council Tax nationally, taking into account the average rise to Council Tax in 2023-24, whilst recognising that inflationary pressures have eased in the last 12 months.
8. The allocations have been arrived at using the standard agreed needs-based distribution methodology and updated indicators. Reflecting the unique implications of incorporating the 2022 census data for the first time, the funding floor has been set provisionally at 0.5% and as set out in the Deputy First Minister’s letter, we would welcome any views on this or other elements of distribution as part of the consultation.
9. Any undistributed sums will be allocated in the standard way following consideration by the Settlement and Distribution Group. We have shared a separate note with COSLA providing a full reconciliation of the changes between the 2023-24 and 2024-25 Budgets and between the 2024-25 Budget and the figures in this Circular. We have also provided full details of all the revenue and capital allocations.
10. The various parts and annexes to this Circular, listed below, provide more of the detail behind the calculations.

- Part A: Local Government Finance Settlement – Revenue: 2024-25 and changes in 2023-24;
 Part B: Local Government Finance Settlement – Capital: 2023-25;
 Part C: Non-Domestic Rates for 2024-25.

The various Annexes included in this Circular are as follows:

- Annex A: All Scotland Aggregated Funding Totals 2023-25;
 Annex B: Individual Revenue Allocations for 2024-25;
 Annex C: Revised Individual Revenue Allocations for 2023-24;
 Annex D: Explanatory Notes on the Revenue Distribution;
 Annex E: Estimates of Ring-Fenced Grant Revenue Funding for 2024-25;
 Annex F: Floor calculation for 2024-25;
 Annex G: Redeterminations of Individual Revenue funding for 2023-24;
 Annex H: 2008-25 Changes Column;
 Annex I: General Capital Grant and Specific Capital Grants 2024-25;
 Annex J: General Capital Grant – Flood Allocations Per Local Authority 2024-25;
 Annex K: Updated General Capital Grant 2023-24; and

Annex L: Total Local Government Funding Settlement 2024-25

Part A: Local Government Finance Settlement - Revenue: 2024-25 and changes in 2023-24

11. This Finance Circular sets out the provisional distribution of revenue funding allocations for 2024-25. **Annex A** of this Circular sets out the all-Scotland aggregate totals for 2023-25.
12. **Annexes B and C** set out the distribution of the total revenue funding allocation between councils and the allocation of the different elements (General Revenue Grant Funding, Non-Domestic Rate Income and Ring-Fenced Revenue Grants) for each council for 2024-25 and 2023-24. The basis behind the grant distribution methodology is as recommended in the report from the Settlement and Distribution Group (SDG). The explanatory notes contained in **Annex D** explain the basis behind the calculation of the individual council grant allocations.
13. **Annex E** gives a breakdown of the provisional individual council shares of all the ring-fenced revenue grant allocations for 2024-25. The provisional total for ring-fenced grant included in the circular is £24.187 million higher than was published in the 2024-25 Scottish Government Budget due to the in-year transfer from the General Revenue Grant to the Support for Ferries specific grant for £13.760 million. The variance of £10.427 million for Pupil Equity funding was included in table 2.16 of the Scottish Budget (Local Government Attainment Grants) and will also be transferred in-year.
14. The calculation and effects of the main floor adjustment for 2024-25, which provided councils with a maximum reduction in the funding used in the calculation of the main floor of 1.04%, is set out in **Annex F** of this Circular. The setting of the floor is in line with the revised arrangements agreed following the SDG review of the floor methodology during 2018 with the percentage set at 0.5%.
15. This Circular confirms the continuation of the **85% funding floor** for 2024-25. The methodology compares total revenue funding plus local authorities' assumed council tax income and any council whose total support under this method falls below 85% will be topped up to ensure that all councils receive 85% of the Scottish average total revenue support per head. As all 32 local authorities now exceed 85% of the Scottish average, no additional funding has been provided.
16. This Local Government Finance Circular provides details of current known 2023-24 redeterminations at **Annex G** for the General Revenue Grant.
17. **Annex H** summarises the column within the settlement titled 2008-25 Changes Column.

Part B: Local Government Finance Settlement – Capital Grants 2023-25

18. In 2024-25 the Local Government Settlement provides capital grants totalling £638.009 million. This is made up of General Capital Grant totalling £516.837 million and Specific Capital Grants totalling £121.172 million.
19. **Annex I** sets out the provisional distribution of the Settlement for capital per local authority for 2024-25. The methodologies used to calculate these provisional allocations have been agreed with COSLA. Capital grants which remain undistributed are identified as such.
20. The provisional distribution for the General Capital Grant includes allocations for flood schemes. The allocations for these schemes is set out in **Annex J**. Where schemes have slipped and the grant paid in a prior year exceeds the grant due the scheme will show a negative value which will reduce the total General Capital Grant payable to that Council.
21. **Annex K** provides a breakdown of the updated 2023-24 General Capital Grant allocations by local authority.

22. **Annex L** summarises the Local Government Finance Settlement for 2024-25

Part C: Non-Domestic Rates for 2024-25

23. The Distributable Amount of Non-Domestic Rates Income for 2024-25 has been provisionally set at £3,068 million. This figure uses the latest forecast of net income from non-domestic rates in 2024-25 and also draws on council estimates of the amounts they will contribute to the Non-Domestic Rating Account (the 'Pool') in 2023-24. The figure incorporates the Scottish Fiscal Commission's estimate of the contributable amount and includes a calculation of gross income; expected losses from appeals; estimated expenditure on mandatory and other reliefs; write-offs and provision of bad debt together; and estimated changes due to prior year adjustments. The distribution of Non-Domestic Rates Income for 2024-25 has been based on the amount each Council estimates that it will collect (based on the 2023-24 mid-year estimates provided by councils). General Revenue Grant provides the guaranteed balance of funding. This method of allocation provides a clear presentation of the Non-Domestic Rates Income per council and transparency in the make-up of council funding.

24. The 2024-25 Non-Domestic Basic Property Rate ('poundage') is provisionally set at 49.8 pence, the same rate as last year. The Intermediate Property Rate (levied on properties with a rateable value from £51,001 to £100,000) and Higher Property Rate (levied on properties with a rateable value over £100,000) will increase by inflation to 54.5 pence and 55.9 pence respectively.

25. A 100% non-domestic rates relief will be available in 2024-25 for properties in the hospitality sectors on islands, as defined by the Islands (Scotland) Act 2018, capped at £110,000 per ratepayer.

26. The Scottish Budget 2024-25 announced the following changes to existing reliefs:

- District Heating relief for renewables will be extended and expanded. A 90% relief will be available until 31 March 2027 for district heating networks where at least 80% of the thermal energy generated derives from renewables. Previously support for renewable district heating was limited to new networks entered on the valuation roll after 1 April 2021.
- Telecommunications mobile mast relief will be extended from 31 March 2029 to 31 March 2031.
- Enterprise Areas relief which had been due to expire on 31 March 2024, will be phased out over 2024-25 and 2025-26 as set out in the table below.

Enterprise Areas Relief

Rateable Value	Relief available		
	2023-24	2024-25	2025-26
£120,000 or less	100%	66.7%	33.3%
£120,001 to £240,000	50%	33.3%	16.7%
£240,001 to £480,000	25%	16.7%	8.3%
£480,001 to £1,200,000	10%	6.7%	3.3%
£1,200,001 to £2,400,000	5%	3.3%	1.7%
Over £2,400,000	2.5%	1.7%	0.8%

27. The Scottish Budget 2023-24 introduced the following transitional reliefs for the 2023 revaluation and which will apply in the 2024-25 financial year:

- A Revaluation Transitional Relief to protect those most affected by revaluation with bills capped as per the table below.

Year-on-year Scottish Transitional Relief caps (%)

Rateable Value	2023-24	2024-25	2025-26
Small (up to £20,000)	12.5	25	37.5
Medium (£20,001 to £100,000)	25	50	75
Large (Over £100,000)	37.5	75	112.5

- A Small Business Transitional Relief: those losing or seeing a reduction in these reliefs (including due to the eligibility changes introduced for Small Business Bonus Scheme relief) on 1 April 2023 the maximum increase in the rates liability relative to 31 March 2023 were capped at £600 in 2023-24, rising to £1,200 in 2024-25 and £1,800 in 2025-26.
- Parks Transitional Relief provided 67% relief in 2023-24, and will provide 33% relief in 2024-25 for parks, or parts of parks, that became rateable on 1 April 2023.

28. The following reliefs will be maintained: business growth accelerator relief, charitable rates relief, day nursery relief, disabled rates relief, fresh start relief, hardship relief, hydro relief, new fibre relief, renewable energy relief, rural relief, small business bonus scheme relief, sports club relief and stud farms relief.

29. Empty Property Relief was devolved to local authorities on 1 April 2023 covering all relief and rates exemptions for fully unoccupied properties including listed buildings, properties where the owner is in administration, etc. Partly unoccupied properties that the council requests be apportioned by the assessor will be liable for rates on the occupied portion only. Councils may offer their own local reliefs under the Community Empowerment (Scotland) Act 2015 including to empty properties.

30. NDR reliefs, like other subsidy or support measures, may be subject to the Subsidy Control Act 2022.

31. Information on the Non-Domestic Rates Incentivisation Scheme (NDRIS) will be set out later.

Enquiries relating to this Circular

32. It should be noted that figures in this Circular may be marginally different from final allocations due to roundings. Local authorities should note that if they have any substantive specific enquiries relating to this Circular these should, in the first instance, be addressed through COSLA. We have given an undertaking to respond to these queries as quickly as possible. Contact details for COSLA are:

Mirren Kelly mirren.kelly@cosla.gov.uk

Any other queries should be addressed to the following:

Local Government Revenue and Capital Settlement. Craig Inglis

Craig.Inglis@gov.scot

Non-Domestic Rates. Anouk Berthier Anouk.Berthier@gov.scot

33. This Circular, along with the supporting tables will be made available through the Local Government section of the Scottish Government website at:

<https://www.gov.scot/publications/local-government-finance-circulars-index/>

Yours faithfully

Ellen Leaver

Ellen Leaver

Deputy Director, Local Government & Analytical Services Division

	2023-24	2024-25
	£ million	£ million
Revenue Funding		
General Resource Grant	8,998.160	9,914.113
Non Domestic Rate Income	3,047.000	3,068.000
Specific Revenue Grants	775.859	262.987
Total Revenue	12,821.019	13,245.100
<i>less</i> Redress Top-Slice	6.000	0.000
<i>less</i> Valuation Committee	0.583	0.583
<i>less</i> National Dog Database	0.000	0.053
<i>less</i> Climate Intelligence Service	0.000	0.900
Net Total Revenue	12,814.436	13,243.564
<i>less</i> Teachers' Induction Scheme	0.000	37.600
<i>less</i> Discretionary Housing Payments	15.137	92.700
<i>less</i> Gaelic	0.103	0.103
<i>less</i> Customer First Top-up	0.010	1.410
<i>less</i> Scottish Disability Assistance	0.000	3.500
<i>less</i> Social Care	0.000	230.000
<i>less</i> Retained Teacher Support	45.500	0.000
<i>less</i> Local government Pay Contribution	0.000	0.000
<i>less</i> Teachers Pay Contribution	0.000	0.000
<i>Total Undistributed Revenue Funding</i>	<i>60.750</i>	<i>365.313</i>
Distributable Revenue Funding	12,753.686	12,878.251
Capital Funding		
General Capital Grant	726.933	516.837
Specific Capital Grants	123.777	121.172
Distributed to SPT	15.327	0.000
Total Capital	866.037	638.009
Total Funding	13,687.056	13,883.109
2023-24 RECONCILIATION FROM FINANCE CIRCULAR 3/2023		
General Resource Grant Circular 3/2023	8,835.458	
Local Government Pay	55.000	
SNCT Pay 2023-24	32.000	
Self Directed Support Transformation Funding	0.176	
Ukraine Refugee Resettlement Teams	3.200	
Summer Programmes	4.000	
Further Ukraine Funding	30.000	
SRA for Kinship & Foster Care	16.000	
Climate Intelligence Service	-0.373	
Temporary Accommodation	2.000	
Educational Psychologists	-0.050	
Teacher Induction Scheme	6.748	
Storm Babet Emergency Payments	0.753	
Storm Babet Additional Welfare funding	0.100	
Grangemouth Future Industry Board	0.050	
Employability Staffing	12.498	
Green Free Ports	0.600	
General Resource Grant Circular 7/2023	8,998.160	
General Capital Grant Circular 3/2023	689.937	
Playparks	10.001	
Community Bus Fund	5.000	
Capital - LG Pay	22.000	
Coastal Adaption	-0.005	
General Capital Grant Circular 7/2023	726.933	

£million	Expenditure				Funding							
	1	2	3	4	5	6	7	8	9	10	11	13
	Updated Service Provision	2008-24 Changes	Loan Charges/ PPP/ LPFS	Main Floor	Total Estimated Expenditure	Assumed Council Tax contribution	Total Ring-fenced Grants	Non Domestic Rates	General Revenue Funding	Total	85% floor	Revised Total
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	500.639	47.918	6.512	-5.360	549.709	95.529	7.310	208.113	238.757	454.180	0.000	454.180
Aberdeenshire	617.902	59.097	17.566	-6.721	687.843	114.985	6.057	131.217	435.584	572.859	0.000	572.859
Angus	277.874	26.579	10.699	-3.119	312.034	44.929	3.944	29.212	233.949	267.106	0.000	267.106
Argyll & Bute	237.722	22.719	8.485	13.260	282.185	40.185	4.526	41.205	196.269	242.001	0.000	242.001
Clackmannanshire	129.163	12.356	4.290	-1.432	144.377	19.821	2.783	19.597	102.177	124.556	0.000	124.556
Dumfries & Galloway	382.936	36.609	14.072	-3.347	430.270	59.912	5.798	63.508	301.052	370.358	0.000	370.358
Dundee City	382.399	36.606	5.353	1.878	426.236	49.028	8.653	73.464	295.091	377.208	0.000	377.208
East Ayrshire	313.985	30.046	4.242	-1.490	346.783	43.656	6.059	33.424	263.643	303.127	0.000	303.127
East Dunbartonshire	276.199	26.435	3.682	-2.938	303.378	51.391	2.587	25.820	223.580	251.987	0.000	251.987
East Lothian	261.085	24.985	3.427	-2.768	286.729	49.467	2.891	59.737	174.634	237.263	0.000	237.263
East Renfrewshire	254.328	24.344	8.732	-2.769	284.635	44.944	2.161	15.891	221.638	239.690	0.000	239.690
Edinburgh, City of	1,083.233	103.690	21.986	10.307	1,219.216	230.587	16.211	406.367	566.051	988.629	0.000	988.629
Eilean Siar	87.948	8.394	6.330	18.508	121.180	9.770	1.600	9.691	100.120	111.411	0.000	111.411
Falkirk	378.177	36.194	13.735	-1.450	426.656	60.119	6.660	72.733	287.144	366.538	0.000	366.538
Fife	900.349	86.178	28.359	-10.145	1,004.741	142.757	16.585	143.021	702.378	861.984	0.000	861.984
Glasgow City	1,593.587	152.585	34.734	30.970	1,811.876	220.895	39.256	385.603	1,166.123	1,590.981	0.000	1,590.981
Highland	597.832	57.152	28.057	-0.513	682.528	100.393	9.434	159.842	412.859	582.135	0.000	582.135
Inverclyde	207.814	19.887	9.261	-0.518	236.444	27.843	3.944	20.235	184.422	208.601	0.000	208.601
Midlothian	232.584	22.260	6.111	-2.445	258.510	39.605	3.681	34.834	180.389	218.905	0.000	218.905
Moray	222.554	21.283	7.614	-1.674	249.777	35.576	2.779	67.015	144.407	214.201	0.000	214.201
North Ayrshire	359.000	34.359	5.327	5.120	403.806	50.720	6.917	42.994	303.175	353.087	0.000	353.087
North Lanarkshire	851.614	81.528	9.167	-9.409	932.900	119.476	15.290	120.364	677.770	813.424	0.000	813.424
Orkney Islands	91.271	8.723	5.035	-0.976	104.053	8.458	16.314	12.137	67.145	95.596	0.000	95.596
Perth & Kinross	363.937	34.813	11.066	-3.928	405.888	68.150	3.806	64.514	269.418	337.738	0.000	337.738
Renfrewshire	444.650	42.562	7.155	-4.823	489.544	73.089	7.301	116.791	292.363	416.455	0.000	416.455
Scottish Borders	288.167	27.550	9.016	-3.250	321.484	48.946	3.206	42.089	227.243	272.537	0.000	272.537
Shetland Islands	102.063	9.757	5.037	3.390	120.247	8.364	23.588	27.263	61.032	111.883	0.000	111.883
South Ayrshire	285.881	27.353	8.315	-3.197	318.352	48.688	4.359	45.931	219.374	269.665	0.000	269.665
South Lanarkshire	795.563	76.149	9.248	-8.648	872.313	129.649	13.528	364.911	364.224	742.664	0.000	742.664
Stirling	229.507	21.954	10.161	-2.556	259.066	40.286	2.802	47.618	168.360	218.780	0.000	218.780
West Dunbartonshire	241.050	23.071	3.300	4.992	272.413	33.845	5.041	87.207	146.320	238.568	0.000	238.568
West Lothian	443.689	42.469	11.537	-4.955	492.740	68.603	7.914	95.652	320.570	424.136	0.000	424.136
Scotland	13,434.702	1,285.603	337.611	0.000	15,057.916	2,179.665	262.987	3,068.000	9,547.264	12,878.251	0.000	12,878.251

	Expenditure					Funding							
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Updated Service Provision	2008-23 Changes	Loan Charges/ PPP/ LPFS	Main Floor	Total Estimated Expenditure	Assumed Council Tax contribution	Total Ring-fenced Grants	Non Domestic Rates	General Revenue Funding	Total	85% floor	Retained Teacher Support	Revised Total
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	507.661	32.634	17.159	-6.587	550.867	95.314	27.239	257.797	170.516	455.553	0.000	-1.568	453.985
Aberdeenshire	622.653	41.244	18.202	-8.502	673.597	114.087	33.008	134.839	391.663	559.510	0.000	-2.305	557.205
Angus	283.672	18.753	10.974	-3.223	310.176	44.703	14.460	27.934	223.079	265.473	0.000	-0.953	264.520
Argyll & Bute	239.578	15.936	8.761	16.280	280.554	40.185	11.617	37.645	191.107	240.369	0.000	-0.674	239.695
Clackmannanshire	132.290	8.739	4.442	-1.798	143.673	19.629	7.925	17.764	98.355	124.044	0.000	-0.427	123.617
Dumfries & Galloway	388.135	25.695	14.599	0.090	428.519	59.890	19.182	60.313	289.134	368.629	0.000	-1.248	367.381
Dundee City	390.858	25.807	5.558	3.621	425.844	48.212	22.984	73.704	280.943	377.632	0.000	-1.253	376.378
East Ayrshire	321.661	21.283	8.566	-4.482	347.028	43.225	20.015	30.467	253.321	303.803	0.000	-1.036	302.767
East Dunbartonshire	278.120	18.287	3.821	-3.525	296.702	51.245	12.237	24.099	209.122	245.457	0.000	-1.031	244.426
East Lothian	261.317	17.316	3.556	-3.446	278.742	48.507	13.789	58.108	158.338	230.235	0.000	-0.922	229.313
East Renfrewshire	255.747	16.837	8.876	-3.520	277.940	44.416	10.562	15.695	207.267	233.524	0.000	-1.049	232.475
Edinburgh, City of	1,105.739	72.570	22.576	15.360	1,216.245	227.839	56.545	377.317	554.543	988.406	0.000	-3.302	985.104
Eilean Siar	89.991	5.974	6.577	18.954	121.496	9.666	4.168	9.106	98.556	111.830	0.000	-0.225	111.605
Falkirk	390.092	25.650	18.096	-5.314	428.524	59.793	22.322	75.322	271.087	368.731	0.000	-1.389	367.342
Fife	919.244	60.737	29.302	-12.015	997.268	141.862	52.815	172.108	630.483	855.406	0.000	-3.219	852.187
Glasgow City	1,643.696	107.362	35.496	27.622	1,814.177	218.382	100.532	358.472	1,136.791	1,595.795	0.000	-5.148	1,590.647
Highland	611.527	40.573	29.155	-0.860	680.394	99.495	32.423	156.979	391.497	580.899	0.000	-2.008	578.892
Inverclyde	211.679	14.013	9.627	1.530	236.850	27.800	11.218	21.333	176.499	209.050	0.000	-0.655	208.395
Midlothian	233.830	15.488	6.224	-3.069	252.473	38.646	15.246	35.215	163.366	213.827	0.000	-0.850	212.976
Moray	229.301	15.104	7.904	-3.231	249.078	35.071	11.941	55.314	146.752	214.007	0.000	-0.769	213.238
North Ayrshire	365.004	24.066	5.529	8.016	402.615	50.363	19.488	43.955	288.809	352.252	0.000	-1.184	351.068
North Lanarkshire	874.279	57.725	9.510	-11.922	929.591	118.152	50.583	121.640	639.216	811.439	0.000	-3.125	808.314
Orkney Islands	90.287	6.042	5.387	-1.288	100.428	8.272	16.113	11.473	64.570	92.156	0.000	-0.200	91.955
Perth & Kinross	368.351	24.468	11.459	-4.980	399.298	67.366	17.721	60.754	253.457	331.932	0.000	-1.128	330.804
Renfrewshire	452.344	29.832	7.430	-6.032	483.573	72.532	25.685	131.323	254.033	411.041	0.000	-1.493	409.548
Scottish Borders	289.816	19.168	11.915	-1.726	319.172	48.689	14.102	37.818	218.563	270.483	0.000	-0.918	269.565
Shetland Islands	98.170	6.565	5.666	3.937	114.338	8.333	20.632	24.302	61.070	106.005	0.000	-0.236	105.769
South Ayrshire	291.823	19.237	8.610	-4.001	315.669	48.347	14.259	47.708	205.355	267.322	0.000	-0.917	266.404
South Lanarkshire	802.883	53.195	9.593	-3.859	861.812	128.345	45.074	341.536	346.857	733.467	0.000	-2.934	730.533
Stirling	235.221	15.471	10.478	-2.409	258.761	39.797	11.781	45.636	161.548	218.964	0.000	-0.810	218.155
West Dunbartonshire	246.378	16.313	3.459	6.672	272.822	33.680	14.348	93.396	131.398	239.142	0.000	-0.792	238.350
West Lothian	454.665	29.808	11.914	-6.292	490.094	67.290	25.742	87.928	309.135	422.804	0.000	-1.733	421.072
Scotland	13,686.011	901.888	370.421	0.000	14,958.319	2,159.133	775.756	3,047.000	8,976.431	12,799.186	0.000	-45.500	12,753.686

The explanation of each of the columns within the tables at Annex B is as follows:

Column 1 – represents the updated on-going service provision and includes the following combined information: (i) the updated Grant Aided Expenditure (GAE) assessments; (ii) the revised Special Islands Needs Allowance (SINA); (iii) each council's individual share of the on-going revenue grants which have been rolled up into the core local government finance settlement; (iv) each council's share of all the baselined redeterminations since Spending Review 2007; and the previous loan charge adjustment.

Column 2 – is the new combined total, non-ring-fenced, changes in general provision resulting from Spending Reviews 2007, 2010, 2011, 2013, 2015 and budget revisions for 2016 - 2025 allocated pro-rata to each council's share of TEE as agreed with the Settlement and Distribution Group (SDG).

Column 3 – represents the updated share of the loan charges support for outstanding debt and the same level of on-going PPP level playing field support. The methodology for calculating Loan Charge Support (LCS) and support for Public Private Partnership (PPP) projects (level playing field projects only (LPFS) is set out on Annex H of Finance Circular 2/2011.

Column 4 – is the main floor adjustment which has been calculated using the revised methodology agreed following the 2018 review.

Column 5 – this is the net revenue expenditure recognised by the Scottish Government and represents the sum of columns 1 to 4.

Column 6 – is the assumption of the amount of Total Estimated Expenditure to be funded from the council tax. Any changes are as a result of buoyancy or projected numbers of properties, as well as the estimated additional council tax income to be collected and retained by each local authority as a result of the changes to bands E to H.

Column 7 – is each council's estimated share of the on-going Ring-Fenced Grants for Gaelic, Pupil Equity Fund (PEF), Criminal Justice Social Work, and Inter-Island Ferries.

Column 8 – is each council's share of the estimated non-domestic rate income which has been distributed proportionately on the basis of council's 2023-24 mid-year income.

Column 9 – is the balance of funding provided by means of general revenue funding and is calculated by deducting columns 6, 7 and 8 from the Total Estimated Expenditure in column 5.

Column 10 – represents the total revenue funding available to each council in 2024-25.

Column 11 – is the 85% floor adjustment which has been calculated to meet the Scottish Government's commitment to ensure that no Local Authority receives less than 85% of the Scottish average per head in terms of revenue support.

Column 12 - is the revised total funding including all the changes and the 85% funding floor adjustments.

Local Authority	Gaelic	Pupil Equity Fund	Criminal Justice Social Work	Support for Ferries
	£m	£m	£m	£m
Aberdeen City	0.090	3.264	3.956	0.000
Aberdeenshire	0.000	3.240	2.818	0.000
Angus	0.004	2.310	1.630	0.000
Argyll & Bute	0.355	1.364	0.986	1.821
Clackmannanshire	0.006	1.663	1.114	0.000
Dumfries & Galloway	0.000	3.274	2.523	0.000
Dundee City	0.000	5.107	3.545	0.000
East Ayrshire	0.139	3.809	2.111	0.000
East Dunbartonshire	0.068	1.727	0.792	0.000
East Lothian	0.006	1.816	1.069	0.000
East Renfrewshire	0.057	1.489	0.616	0.000
Edinburgh, City of	0.315	7.911	7.984	0.000
Eilean Siar	0.965	0.340	0.294	0.000
Falkirk	0.012	3.962	2.686	0.000
Fife	0.011	10.466	6.108	0.000
Glasgow City	0.565	23.208	15.482	0.000
Highland	0.905	4.291	3.238	1.000
Inverclyde	0.060	2.585	1.299	0.000
Midlothian	0.006	2.424	1.252	0.000
Moray	0.002	1.484	1.293	0.000
North Ayrshire	0.088	4.172	2.657	0.000
North Lanarkshire	0.255	9.682	5.353	0.000
Orkney Islands	0.000	0.250	0.235	15.829
Perth & Kinross	0.098	1.874	1.834	0.000
Renfrewshire	0.050	4.663	2.588	0.000
Scottish Borders	0.000	1.949	1.257	0.000
Shetland Islands	0.000	0.255	0.252	23.082
South Ayrshire	0.013	2.616	1.731	0.000
South Lanarkshire	0.165	8.949	4.414	0.000
Stirling	0.110	1.453	1.239	0.000
West Dunbartonshire	0.027	3.381	1.634	0.000
West Lothian	0.006	5.449	2.459	0.000
Scotland	4.378	130.427	86.450	41.732

Local Authority	Grant Without Floor	Change Without Floor	Floor Change	Grant With Floor	Change With Floor
	£m	%	£m	£m	%
East Dunbartonshire	212.594	3.67%	-2.938	209.656	2.23%
East Lothian	200.299	2.90%	-2.768	197.531	1.48%
Midlothian	176.906	2.51%	-2.445	174.462	1.10%
East Renfrewshire	200.373	2.37%	-2.769	197.605	0.96%
Aberdeenshire	486.391	2.27%	-6.721	479.670	0.86%
Renfrewshire	349.016	1.69%	-4.823	344.193	0.28%
South Ayrshire	231.340	1.32%	-3.197	228.143	-0.08%
Scottish Borders	235.179	1.19%	-3.250	231.930	-0.21%
South Lanarkshire	625.852	1.10%	-8.648	617.204	-0.30%
Perth & Kinross	284.225	0.98%	-3.928	280.297	-0.41%
Fife	734.190	0.97%	-10.145	724.045	-0.43%
Orkney Islands	70.605	0.94%	-0.976	69.629	-0.45%
Clackmannanshire	103.600	0.86%	-1.432	102.168	-0.54%
Aberdeen City	387.855	0.84%	-5.360	382.496	-0.56%
West Lothian	358.579	0.71%	-4.955	353.624	-0.68%
North Lanarkshire	680.877	0.64%	-9.409	671.469	-0.75%
Angus	225.683	0.46%	-3.119	222.565	-0.93%
Stirling	184.965	0.42%	-2.556	182.409	-0.97%
Argyll & Bute	191.222	-7.46%	13.260	204.482	-1.04%
Dumfries & Galloway	316.165	0.02%	-3.347	312.819	-1.04%
Dundee City	312.205	-1.63%	1.878	314.084	-1.04%
East Ayrshire	252.753	-0.45%	-1.490	251.263	-1.04%
Edinburgh (City of)	815.700	-2.27%	10.307	826.007	-1.04%
Eilean Siar	81.236	-19.40%	18.508	99.744	-1.04%
Falkirk	299.612	-0.56%	-1.450	298.162	-1.04%
Glasgow City	1,314.167	-3.32%	30.970	1,345.137	-1.04%
Highland	492.769	-0.93%	-0.513	492.255	-1.04%
Inverclyde	175.847	-0.75%	-0.518	175.329	-1.04%
Moray	180.768	-0.11%	-1.674	179.094	-1.04%
North Ayrshire	292.967	-2.74%	5.120	298.088	-1.04%
Shetland Islands	75.882	-5.27%	3.390	79.273	-1.04%
West Dunbartonshire	191.350	-3.55%	4.992	196.342	-1.04%
	10,741.172		0.000	10,741.172	

The annual change in the Grant for Floor Funding was 0.54% and as a result of the floor being set at -0.50% below this annual change the minimum increase in the Grant for floor was set at 1.04%

GENERAL FUNDING	Local Government Pay	SNCT Pay 2023-24	Self Directed Support Transformation Funding	Ukraine Refugee Resettlement Teams	Summer Programmes	Further Ukraine Funding	SRA for Kinship & Foster Care	Climate Intelligence Service	Temporary Accommodation
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	5.609	5.263	0.006	0.319	0.112	2.144	0.535	-0.013	0.302
Aberdeenshire	7.088	7.876	0.006	0.085	0.142	0.927	0.597	-0.017	0.000
Angus	3.223	3.314	0.006	0.056	0.084	0.533	0.326	-0.008	0.000
Argyll & Bute	2.739	2.392	0.005	0.054	0.054	0.559	0.207	-0.007	0.047
Clackmannanshire	1.502	1.595	0.006	0.050	0.044	0.224	0.177	-0.004	0.022
Dumfries & Galloway	4.416	3.982	0.006	0.099	0.132	0.898	0.444	-0.011	0.132
Dundee City	4.435	4.000	0.005	0.077	0.118	0.923	0.488	-0.011	0.000
East Ayrshire	3.658	3.563	0.006	0.050	0.112	0.521	0.421	-0.009	0.018
East Dunbartonshire	3.143	3.993	0.005	0.050	0.042	0.333	0.233	-0.008	0.000
East Lothian	2.976	2.955	0.005	0.050	0.065	0.433	0.296	-0.007	0.000
East Renfrewshire	2.894	3.994	0.006	0.050	0.047	0.243	0.232	-0.007	0.000
Edinburgh, City of	12.472	10.678	0.005	0.555	0.230	4.501	1.109	-0.030	0.546
Eilean Siar	1.027	0.917	0.006	0.050	0.018	0.129	0.058	-0.002	0.000
Falkirk	4.408	4.732	0.005	0.050	0.114	0.592	0.501	-0.011	0.244
Fife	10.438	10.675	0.005	0.117	0.296	1.555	1.204	-0.025	0.000
Glasgow City	18.452	16.566	0.006	0.341	0.666	4.323	2.365	-0.044	0.443
Highland	6.973	6.755	0.006	0.148	0.186	1.492	0.622	-0.017	0.000
Inverclyde	2.408	2.238	0.005	0.050	0.052	0.403	0.237	-0.006	0.000
Midlothian	2.662	3.098	0.005	0.050	0.065	0.439	0.295	-0.006	0.000
Moray	2.596	2.800	0.006	0.050	0.069	0.331	0.262	-0.006	0.029
North Ayrshire	4.136	4.111	0.005	0.070	0.130	0.794	0.486	-0.010	0.000
North Lanarkshire	9.921	10.680	0.006	0.090	0.306	1.387	1.183	-0.024	0.000
Orkney	1.038	0.738	0.006	0.050	0.016	0.097	0.050	-0.002	0.054
Perth & Kinross	4.205	4.067	0.006	0.084	0.097	0.756	0.382	-0.010	0.036
Renfrewshire	5.127	5.102	0.005	0.099	0.117	1.001	0.518	-0.012	0.034
Scottish Borders	3.294	3.060	0.006	0.055	0.083	0.570	0.311	-0.008	0.020
Shetland	1.128	0.971	0.006	0.050	0.020	0.089	0.049	-0.003	0.018
South Ayrshire	3.306	3.337	0.005	0.070	0.076	0.672	0.312	-0.008	0.000
South Lanarkshire	9.142	10.080	0.005	0.112	0.231	1.373	0.952	-0.022	0.000
Stirling	2.659	2.793	0.006	0.069	0.056	0.613	0.222	-0.006	0.056
West Dunbartonshire	2.804	2.724	0.005	0.050	0.079	0.449	0.319	-0.007	0.000
West Lothian	5.123	5.949	0.005	0.050	0.142	0.697	0.609	-0.012	0.000
Scotland	155.000	155.000	0.176	3.200	4.000	30.000	16.000	-0.373	2.000

GENERAL FUNDING	Educational Psychologists	Teacher Induction Scheme	Storm Babet Emergency Payments *	Storm Babet Additional Welfare funding	Grangemouth Future Industry Board	Green Free Ports	Employability Staffing	Customer first Top up	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	0.015	2.400	0.000	0.000	0.000	0.000	0.378	0.000	17.070
Aberdeenshire	0.015	0.977	0.026	0.000	0.000	0.000	0.441	0.000	18.162
Angus	0.015	0.098	0.541	0.100	0.000	0.000	0.294	0.000	8.582
Argyll & Bute	0.015	0.033	0.000	0.000	0.000	0.000	0.213	0.000	6.312
Clackmannanshire	0.006	0.337	0.000	0.000	0.000	0.000	0.188	0.000	4.148
Dumfries & Galloway	0.006	0.874	0.000	0.000	0.000	0.000	0.409	0.000	11.387
Dundee City	0.006	1.232	0.177	0.000	0.000	0.000	0.354	0.000	11.805
East Ayrshire	0.015	1.227	0.000	0.000	0.000	0.000	0.357	0.000	9.938
East Dunbartonshire	0.006	3.336	0.000	0.000	0.000	0.000	0.187	0.000	11.321
East Lothian	0.009	0.819	0.000	0.000	0.000	0.000	0.250	0.000	7.852
East Renfrewshire	0.015	2.327	0.000	0.000	0.000	0.000	0.198	0.000	9.998
Edinburgh, City of	0.030	1.311	0.000	0.000	0.000	0.000	0.662	0.000	32.070
Eilean Siar	0.000	0.213	0.000	0.000	0.000	0.000	0.124	0.000	2.539
Falkirk	0.000	2.315	0.000	0.000	0.050	0.300	0.376	0.000	13.677
Fife	0.030	2.523	0.000	0.000	0.000	0.000	0.829	0.000	27.648
Glasgow City	0.051	5.512	0.000	0.000	0.000	0.000	1.687	0.000	50.368
Highland	0.000	0.359	0.000	0.000	0.000	0.300	0.540	0.000	17.363
Inverclyde	0.015	0.859	0.000	0.000	0.000	0.000	0.195	0.000	6.458
Midlothian	0.015	0.437	0.000	0.000	0.000	0.000	0.240	0.000	7.301
Moray	0.009	1.635	0.000	0.000	0.000	0.000	0.264	0.000	8.044
North Ayrshire	0.015	0.814	0.000	0.000	0.000	0.000	0.394	0.000	10.945
North Lanarkshire	0.030	2.830	0.000	0.000	0.000	0.000	0.843	1.400	28.652
Orkney	0.000	0.055	0.000	0.000	0.000	0.000	0.119	0.000	2.220
Perth & Kinross	0.006	0.149	0.009	0.000	0.000	0.000	0.322	0.000	10.108
Renfrewshire	0.015	1.903	0.000	0.000	0.000	0.000	0.371	0.000	14.279
Scottish Borders	0.000	0.942	0.000	0.000	0.000	0.000	0.294	0.000	8.627
Shetland	0.000	0.036	0.000	0.000	0.000	0.000	0.126	0.000	2.490
South Ayrshire	0.000	1.229	0.000	0.000	0.000	0.000	0.273	0.000	9.273
South Lanarkshire	0.030	2.306	0.000	0.000	0.000	0.000	0.641	0.000	24.851
Stirling	0.015	1.183	0.000	0.000	0.000	0.000	0.218	0.000	7.882
West Dunbartonshire	0.009	0.986	0.000	0.000	0.000	0.000	0.267	0.000	7.686
West Lothian	0.006	3.090	0.000	0.000	0.000	0.000	0.440	0.000	16.098
Scotland	0.400	44.348	0.753	0.100	0.050	0.600	12.498	1.400	425.152

*Final funding is subject to full reconciliation.

Local Authority	2024-25 GAE plus SINA	Percentage Shares	2008-24 Changes	2008-23 Changes	Movement in Changes
	£m	£m	£m	£m	£m
Aberdeen City	499.601	3.727	47.918	32.634	15.284
Aberdeenshire	616.158	4.597	59.097	41.244	17.853
Angus	277.122	2.067	26.579	18.753	7.827
Argyll & Bute	236.869	1.767	22.719	15.936	6.783
Clackmannanshire	128.830	0.961	12.356	8.739	3.618
Dumfries & Galloway	381.697	2.848	36.609	25.695	10.914
Dundee City	381.663	2.847	36.606	25.807	10.799
East Ayrshire	313.268	2.337	30.046	21.283	8.763
East Dunbartonshire	275.615	2.056	26.435	18.287	8.148
East Lothian	260.504	1.943	24.985	17.316	7.670
East Renfrewshire	253.812	1.894	24.344	16.837	7.507
Edinburgh, City of	1,081.093	8.065	103.690	72.570	31.120
Eilean Siar	87.515	0.653	8.394	5.974	2.420
Falkirk	377.364	2.815	36.194	25.650	10.544
Fife	898.511	6.703	86.178	60.737	25.441
Glasgow City	1,590.884	11.869	152.585	107.362	45.222
Highland	595.883	4.446	57.152	40.573	16.580
Inverclyde	207.344	1.547	19.887	14.013	5.874
Midlothian	232.085	1.731	22.260	15.488	6.772
Moray	221.906	1.656	21.283	15.104	6.180
North Ayrshire	358.231	2.673	34.359	24.066	10.293
North Lanarkshire	850.029	6.342	81.528	57.725	23.803
Orkney	90.947	0.679	8.723	6.042	2.681
Perth & Kinross	362.967	2.708	34.813	24.468	10.345
Renfrewshire	443.767	3.311	42.562	29.832	12.730
Scottish Borders	287.244	2.143	27.550	19.168	8.382
Shetland	101.729	0.759	9.757	6.565	3.192
South Ayrshire	285.192	2.128	27.353	19.237	8.116
South Lanarkshire	793.951	5.923	76.149	53.195	22.954
Stirling	228.893	1.708	21.954	15.471	6.482
West Dunbartonshire	240.540	1.795	23.071	16.313	6.758
West Lothian	442.790	3.303	42.469	29.808	12.661
Scotland	13,404.004	100.000	1,285.603	901.888	383.715

2024-25	Capital Settlement			Specific Capital Grants			
£m	General Capital Grant	Specific Grants	Total Capital Grants	Vacant and Derelict Land	T MDF	Cycling Walking & Safer Streets	Total
Aberdeen City	17.067	0.986	18.053	0.000	0.000	0.986	0.986
Aberdeenshire	16.864	1.161	18.025	0.000	0.000	1.161	1.161
Angus	8.134	0.503	8.637	0.000	0.000	0.503	0.503
Argyll & Bute	8.834	0.379	9.213	0.000	0.000	0.379	0.379
Clackmannanshire	4.132	0.228	4.360	0.000	0.000	0.228	0.228
Dumfries & Galloway	10.541	0.642	11.183	0.000	0.000	0.642	0.642
Dundee City	12.201	0.652	12.853	0.000	0.000	0.652	0.652
East Ayrshire	7.178	0.529	7.707	0.000	0.000	0.529	0.529
East Dunbartonshire	6.735	0.480	7.215	0.000	0.000	0.480	0.480
East Lothian	25.342	0.494	25.836	0.000	0.000	0.494	0.494
East Renfrewshire	5.098	0.426	5.524	0.000	0.000	0.426	0.426
Edinburgh, City of	34.476	30.206	64.682	0.000	27.950	2.256	30.206
Eilean Siar	6.053	0.115	6.168	0.000	0.000	0.115	0.115
Falkirk	9.446	0.697	10.143	0.000	0.000	0.697	0.697
Fife	24.579	2.741	27.320	1.111	0.000	1.630	2.741
Glasgow City	46.326	68.297	114.623	1.270	64.295	2.732	68.297
Highland	20.472	1.036	21.508	0.000	0.000	1.036	1.036
Inverclyde	5.935	0.345	6.280	0.000	0.000	0.345	0.345
Midlothian	6.696	0.425	7.121	0.000	0.000	0.425	0.425
Moray	7.341	0.411	7.752	0.000	0.000	0.411	0.411
North Ayrshire	8.628	1.550	10.178	0.963	0.000	0.587	1.550
North Lanarkshire	21.334	2.732	24.066	1.231	0.000	1.501	2.732
Orkney Islands	4.640	0.097	4.737	0.000	0.000	0.097	0.097
Perth & Kinross	25.702	0.664	26.366	0.000	0.000	0.664	0.664
Renfrewshire	11.177	0.809	11.986	0.000	0.000	0.809	0.809
Scottish Borders	9.320	0.515	9.835	0.000	0.000	0.515	0.515
Shetland Islands	4.831	0.101	4.932	0.000	0.000	0.101	0.101
South Ayrshire	7.787	0.491	8.278	0.000	0.000	0.491	0.491
South Lanarkshire	19.276	1.865	21.141	0.425	0.000	1.440	1.865
Stirling	20.101	0.408	20.509	0.000	0.000	0.408	0.408
West Dunbartonshire	3.597	0.389	3.986	0.000	0.000	0.389	0.389
West Lothian	10.444	0.798	11.242	0.000	0.000	0.798	0.798
Undistributed	86.550	0.000	86.550	0.000	0.000	0.000	0.000
Councils Total	516.837	121.172	638.009	5.000	92.245	23.927	121.172

Council	Flood Scheme	Total 2024-25 £m
Aberdeenshire Council	Stonehaven	-2.447
Aberdeenshire Council	Huntly	-0.384
Angus Council	Arbroath	-0.739
Argyll & Bute Council	Campbeltown	0.000
Comhairle nan Eilean Siar	South Fords	0.000
Dumfries & Galloway Council	Dumfries/ River Nith/ Whitesands FPS	-11.652
Dumfries & Galloway Council	Stranraer work item 4 &6	0.000
Dumfries & Galloway Council	Langholm	0.000
Dumfries & Galloway Council	Newton Stewart/ River Cree	8.359
Dundee City Council	Broughty Ferry	-0.126
Dundee City Council	Dundee	-0.087
East Ayrshire Council	New Cumnock	-0.080
East Dunbartonshire Council	Park Burn	0.000
East Lothian Council	Musselburgh	16.980
East Lothian Council	Haddington	0.680
Falkirk Council	Grangemouth FPS	0.000
Fife Council	Kinness Burn	0.960
Glasgow City Council	White Cart Water Phase 3	0.000
Glasgow City Council	Camlachie Burn	0.000
Highland Council	Smithton and Culloden	-1.398
Highland Council	Caol and Lochyside	1.337
Highland Council	Drumnadrochit	-0.167
Inverclyde Council	Inverclyde FPS - Glenmosston Burn	0.000
Inverclyde Council	Inverclyde FPS - Coves Burn	0.000
Inverclyde Council	Inverclyde FPS - Bouverie Burn	0.000
Inverclyde Council	Quarrier's Village	0.000
Moray Council	Newmill	-0.042
North Ayrshire Council	Millport Coastal	-0.040
North Ayrshire Council	Upper Garnock FPS	-0.400
North Ayrshire Council	Mill Burn Millport	0.000
Orkney Islands Council	Kirkwall	-0.090
Perth & Kinross Council	Comrie	8.924
Perth & Kinross Council	Milnathort	-1.136
Perth & Kinross Council	South Kinross	5.776
Perth & Kinross Council	Scone	-0.013
Scottish Borders Council	Hawick	-0.848
Stirling Council	Bridge of Allan	12.392
Stirling Council	Stirling	0.000
Stirling Council	Callander	0.723
West Dunbartonshire Council	Gruggies Burn	-2.882
	Total	33.600

2023-24 General Capital Grant	Circular 3/2023	Playparks	Nature Restoration Funding	Coastal Adaption	Community Bus Fund	Free School Meals	Flooding	Capital - LG Pay	2023-24 Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	22.923	0.373	0.270	0.000	0.004	4.350	0.581	1.300	29.801
Aberdeenshire	22.846	0.616	0.445	0.056	0.288	0.000	0.113	0.000	24.364
Angus	12.850	0.220	0.306	0.000	0.110	1.460	0.119	1.540	16.605
Argyll & Bute	17.326	0.157	0.489	0.000	0.233	5.000	0.374	0.000	23.579
Clackmannanshire	5.620	0.093	0.195	0.000	0.121	0.000	0.050	0.000	6.079
Dumfries & Galloway	23.221	0.291	0.490	0.036	0.422	2.000	14.297	0.000	40.757
Dundee City	16.679	0.243	0.171	0.000	0.009	2.250	0.061	0.000	19.413
East Ayrshire	11.106	0.224	0.206	0.000	0.323	1.630	0.068	0.000	13.557
East Dunbartonshire	9.825	0.202	0.266	0.000	0.046	0.000	0.151	0.000	10.490
East Lothian	6.862	0.218	0.223	0.000	0.098	0.000	0.028	0.000	7.429
East Renfrewshire	7.923	0.204	0.121	0.000	0.036	1.300	0.060	0.000	9.644
Edinburgh, City of	47.786	0.811	0.272	0.000	0.011	5.630	0.147	0.000	54.657
Eilean Siar	8.185	0.062	0.255	0.000	0.115	0.000	0.025	0.000	8.642
Falkirk	9.181	0.289	0.348	0.000	0.103	1.990	0.089	0.000	12.000
Fife	35.323	0.681	0.612	0.126	0.478	6.730	0.215	16.270	60.435
Glasgow City	64.614	1.028	0.247	0.000	0.030	0.000	0.545	0.000	66.464
Highland	27.695	0.488	0.676	0.083	0.547	3.160	0.130	0.840	33.619
Inverclyde	8.102	0.126	0.306	0.000	0.025	2.000	0.027	0.000	10.586
Midlothian	9.289	0.197	0.211	0.000	0.101	0.000	0.044	0.000	9.842
Moray	10.264	0.188	0.246	0.000	0.215	0.000	0.029	0.000	10.942
North Ayrshire	33.750	0.231	0.355	0.000	0.146	4.000	0.076	0.000	38.558
North Lanarkshire	31.315	0.635	0.556	0.000	0.231	20.000	0.053	0.000	52.790
Orkney	5.874	0.051	0.106	0.066	0.035	0.000	0.016	0.000	6.148
Perth & Kinross	21.021	0.291	0.353	0.000	0.199	0.000	0.091	0.000	21.955
Renfrewshire	16.133	0.307	0.199	0.000	0.051	1.300	0.225	0.000	18.215
Scottish Borders	21.670	0.234	0.328	0.072	0.243	1.500	0.870	0.000	24.917
Shetland	6.054	0.061	0.161	0.000	0.044	0.000	0.002	0.000	6.322
South Ayrshire	11.157	0.189	0.189	0.106	0.171	1.400	0.039	0.000	13.251
South Lanarkshire	28.320	0.597	0.545	0.000	0.303	0.000	0.182	0.000	29.947
Stirling	7.408	0.168	0.228	0.000	0.103	2.000	0.074	2.050	12.031
West Dunbartonshire	14.338	0.157	0.257	0.000	0.008	0.000	0.151	0.000	14.911
West Lothian	15.727	0.369	0.368	0.000	0.151	2.300	0.068	0.000	18.983
Scotland	590.387	10.001	10.000	0.545	5.000	70.000	19.000	22.000	726.933

Local Authority	Ring-Fenced Grants	Non Domestic Rates	General Revenue Funding	Total 2024-25 Revenue	General Capital Grant	Specific Grant	Total 2024-25 Capital	2024-25 Local Government Finance Settlement
	£m	£m	£m	£m	£m	£m	£m	£m
Aberdeen City	7.310	208.113	238.757	454.180	17.067	0.986	18.053	472.233
Aberdeenshire	6.057	131.217	435.584	572.859	16.864	1.161	18.025	590.884
Angus	3.944	29.212	233.949	267.106	8.134	0.503	8.637	275.743
Argyll & Bute	4.526	41.205	196.269	242.001	8.834	0.379	9.213	251.214
Clackmannanshire	2.783	19.597	102.177	124.556	4.132	0.228	4.360	128.916
Dumfries & Galloway	5.798	63.508	301.052	370.358	10.541	0.642	11.183	381.541
Dundee City	8.653	73.464	295.091	377.208	12.201	0.652	12.853	390.061
East Ayrshire	6.059	33.424	263.643	303.127	7.178	0.529	7.707	310.834
East Dunbartonshire	2.587	25.820	223.580	251.987	6.735	0.480	7.215	259.202
East Lothian	2.891	59.737	174.634	237.263	25.342	0.494	25.836	263.099
East Renfrewshire	2.161	15.891	221.638	239.690	5.098	0.426	5.524	245.214
Edinburgh, City of	16.211	406.367	566.051	988.629	34.476	30.206	64.682	1,053.311
Eilean Siar	1.600	9.691	100.120	111.411	6.053	0.115	6.168	117.579
Falkirk	6.660	72.733	287.144	366.538	9.446	0.697	10.143	376.681
Fife	16.585	143.021	702.378	861.984	24.579	2.741	27.320	889.304
Glasgow City	39.256	385.603	1,166.123	1,590.981	46.326	68.297	114.623	1,705.604
Highland	9.434	159.842	412.859	582.135	20.472	1.036	21.508	603.643
Inverclyde	3.944	20.235	184.422	208.601	5.935	0.345	6.280	214.881
Midlothian	3.681	34.834	180.389	218.905	6.696	0.425	7.121	226.026
Moray	2.779	67.015	144.407	214.201	7.341	0.411	7.752	221.953
North Ayrshire	6.917	42.994	303.175	353.087	8.628	1.550	10.178	363.265
North Lanarkshire	15.290	120.364	677.770	813.424	21.334	2.732	24.066	837.490
Orkney	16.314	12.137	67.145	95.596	4.640	0.097	4.737	100.333
Perth & Kinross	3.806	64.514	269.418	337.738	25.702	0.664	26.366	364.104
Renfrewshire	7.301	116.791	292.363	416.455	11.177	0.809	11.986	428.441
Scottish Borders	3.206	42.089	227.243	272.537	9.320	0.515	9.835	282.372
Shetland	23.588	27.263	61.032	111.883	4.831	0.101	4.932	116.815
South Ayrshire	4.359	45.931	219.374	269.665	7.787	0.491	8.278	277.943
South Lanarkshire	13.528	364.911	364.224	742.664	19.276	1.865	21.141	763.805
Stirling	2.802	47.618	168.360	218.780	20.101	0.408	20.509	239.289
West Dunbartonshire	5.041	87.207	146.320	238.568	3.597	0.389	3.986	242.554
West Lothian	7.914	95.652	320.570	424.136	10.444	0.798	11.242	435.378
Undistributed	0.103	0.000	365.210	365.313	86.550	0.000	86.550	451.863
Scotland	263.090	3,068.000	9,912.474	13,243.564	516.837	121.172	638.009	13,881.573

Cabinet Secretary for Education and Skills
Jenny Gilruth MSP



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Cllr Buchanan, COSLA Children and Young People
Spokesperson

cc. Cllr Morrison, COSLA President
Cllr Hagmann, COSLA Resources Spokesperson
Jane O'Donnell, COSLA CEO
LA CEOs
LA Directors of Education
LA Directors of Finance

12 February 2024

Dear Cllr Buchanan,

This government's vision for education in Scotland remains to deliver excellence and equity for all. That principle must be central to all of our thinking. As I have said before, a key element of that is to ensure there is no reduction in the fundamentals of education delivery, including the number of teachers and the amount of time children spend learning in schools.

Teacher Numbers

You will be aware of previous correspondence that set out the conditions attached to the additional £145.5m funding that is allocated to local authorities in 2023-24 to protect teacher numbers, with the key measure being maintaining teacher numbers at 2022 census levels. That correspondence was clear that, in the event of the conditions not being met, the Scottish Government reserved the right to recover or withhold relevant monies allocated to individual authorities for these purposes.

Following December's publication of the Summary Statistics for Schools in Scotland 2023, which showed a reduction in teacher numbers nationally, we have been in contact with the local authorities that saw a reduction in teacher numbers to establish the circumstances behind those reductions and to assess whether any funding should be withheld.

As indicated in Sam Anson's letter of 12 December to councils, we were clear that we intended to be fair and balanced in making these decisions and, in assessing whether our conditions have been met, we would consider any mitigating circumstances that individual councils may wish to put forward.

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I remain extremely disappointed by the reduction in teachers this year. It will be more difficult to reach our shared goal to close the poverty related attainment gap nor improve outcomes with fewer teachers in our schools. December's PISA results are a salient reminder to us all that we can not be complacent. I also believe we need that capacity to help us achieve aspirations regarding behaviour, attendance and a reduction in class contact time.

Notwithstanding, I do not believe that it will be in the best interests of school pupils for us to withhold funding at this stage in the financial year. As I have stated, decisions must be guided by our ambitions for excellence and equity, and I do not wish to create a risk of services having to be withdrawn at short notice due to action taken on staffing by a local authority.

I do believe that it is essential that all funding that is allocated supports the outcomes it is provided for, however, and moving forward into 2024-25 I expect teacher numbers to be protected by councils. Under the current provisions, we have witnessed two successive years of falls in relation to teacher numbers. In this context, it is clear to me that the status quo is not sustainable.

Next year's allocation of additional funding for teacher numbers of £145.5m will, therefore, be distributed via Specific Resource Grants, and those grants will be conditional on councils agreeing at the outset to maintain teacher numbers. Taking this approach reflects our longstanding commitment to protecting teacher numbers, which is in the best interests of our children and young people.

My officials will be in touch with individual councils to agree grant conditions, including the number of teachers I expect to be maintained. For those councils where numbers did fall, that may include a return towards 2022 levels where we have not fully accepted the mitigations presented.

Learning Hours

The school week is the backbone of our education provision and benefits all our children and young people. Any measures that materially reduced the number of hours children spend learning in school would be expected to reduce pupil attainment and wellbeing and undermine efforts to close the poverty related attainment gap. The Scottish Government therefore consulted on regulations to specify the minimum number of learning hours in 2023. That consultation has now closed and we expect to publish the analysis of those responses shortly.

I remain committed to protecting the levels of learning hours currently made available in Scottish schools and in the longer term to achieve equity in the number of learning hours pupils across Scotland receive. It is extremely concerning that some local authorities have proposed cuts to the level of learning hours as part of their 24-25 budget consultations. I am clear that this would not be acceptable.

To reflect the change in context of the Verity House agreement, since the initial consideration of regulations in this space a draft voluntary agreement was proposed in January that committed to maintaining learning hours at their current level across all Local Authorities in 24-25 and recognised the Scottish Government's longer term ambition toward equity.

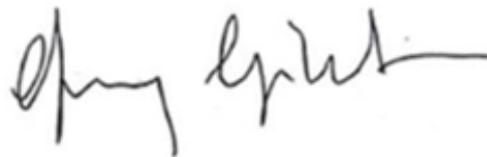
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It was regrettable that the draft agreement could not be accepted by COSLA Leaders at that point. I remain keen to come to an agreement with local government on the provision of learning hours in local authority schools and would ask that the previous agreement is reconsidered urgently.

However, in the continued absence of an agreement to protect time in school and children's learning and development I will need to take steps towards utilising the powers in the Education (Scotland) Act 1980 to prescribe in the regulations the number of hours made available. I am hopeful that the decision not to withhold teacher number funding helps to unblock this issue, thereby allowing us to proceed without regulation. However, I should make clear my intention to proceed with regulations, should no voluntary agreement be reached.

Finally, Education Reform should be an opportunity for Government and COSLA to engage meaningfully on driving the improvements we need to see in Scotland's schools to support our young people. I sincerely hope that sentiment is shared by COSLA and I look forward to further engagement on this issue in the weeks and months to come.



JENNY GILRUTH MSP

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(A) RECURRING PRESSURES MET FROM WITHIN THE £37M ALLOCATED FOR PRESSURES ACROSS 3 YEARS

Service or Budget Area	Description of Pressure	Pressures			3 Year Total
		2024/25 £m	(Incremental Change) 2025/26 £m	(Incremental Change) 2026/27 £m	
Communities and Place	Waste Contract inflation	0.922			0.922
Communities and Place	Landfill Tax increase	0.030			0.030
Communities and Place	Fleet lease renewals	0.476			0.476
Depute Chief Executive	ICT - core systems inflation	0.313			0.313
Depute Chief Executive	ICT - data centre contract inflation	0.083			0.083
Depute Chief Executive	ICT - Microsoft licences inflation	0.353			0.353
Infrastructure Environment and Economy	Roads – service contract inflation	0.086			0.086
	Roads – road material prices	0.072			0.072
	Roads – salt prices	0.186			0.186
	Roads – street lighting prices	0.330			0.330
	Transport – contract inflation	1.720			1.720
	Transport – community support increases	0.040			0.040
Property and Housing	Property maintenance contract inflation	0.225			0.225
Property and Housing	Property – PPP contract inflation	0.900			0.900
Corporate	Utilities cost price increases	1.700			1.700
Corporate	Insurance premia increases	0.350			0.350
Corporate	Audit Scotland fee increase	0.030			0.030
Sub-total: Inflationary Increases		7.816	5.000	3.000	15.816
Infrastructure Environment and Economy	School and public transport in year 2324 pressures	1.360			1.360
Communities and Place	Commercial waste income pressures – consequence of NDR to Council Tax property transfer (linked to additional council tax income generated)	0.300			0.300
Corporate	NDR – cost to address changes in legislation for reliefs	0.015			0.015

Education and Learning	ELC – PVI rate increase (Council cost in addition to SG funding)	0.175			0.175
Property and Housing	Housing Benefit – HRA rent increase consequence	0.507			0.507
Corporate	Corporate Services – resourcing the delivery plan.	0.640			0.640
Corporate	Corporate – HR systems and support for employees incl Investors in People	0.145			0.145
Sub-total: Other cost pressures		3.142	1.977	0.091	5.210
Corporate	PPP accounting flexibility interest costs	1.137	1.023	0.909	3.069
Corporate	Investment Fund – loan charge increase to support additional capital investment	1.000	1.000	1.000	3.000
Sub-total: Interest and financing costs		2.137	2.023	1.909	6.069
Cross-Service	Capital staff recharge multiplier - improve efficiency and sustainability	2.000	3.000	5.000	10.000
Sub-total: capital multiplier		2.000	3.000	5.000	10.000
GRAND TOTAL		15.095	12.000	10.000	37.095

(B) NEW COMMITMENTS MET FROM SCOTTISH GOVERNMENT ADDITIONAL FUNDING

ANNEX 3

Service or Budget Area	Description of Commitment	Commitments			3 Year Total
		2024/25 £m	2025/26 £m	2026/27 £m	
Adult Social Care	Funding from SG for commissioned services pay uplift	10.321			10.321
ELC	Early Learning and Childcare funding for uplift in pay for Private Voluntary and Independent Sector providers	0.686			0.686
Free School Meals	Funding for provision of FSM for Primary 6/7 in receipt of Scottish Child Payment	0.218			0.218
Gaelic	Gaelic adjustment in funding	- 0.005			- 0.005
Health and Social Care	Kinship Care funding	0.583			0.583
Adult Social Care	Increase in funding for Personal & Nursing Care for Older People	0.499			0.499
Education	Pupil Equity Funding increase	0.029			0.029
Other	School Clothing Grant increase	0.033			0.033
Assessors	Scottish Assessors - Barclay Review funding (Valuation Joint Board)	0.011			0.011
Other	Scottish Disability Assistance Admin Funding adjustment	- 0.122			- 0.122
Health and Social Care	Self Directed Support funding	0.007			0.007
TOTAL - COMMITMENTS MET FROM SCOTTISH GOVERNMENT FUNDING ADDITIONS		12.260	-	-	12.260

(C) ONE-OFF OR NON-RECURRING PRESSURES MET FROM RESERVES

ANNEX 3

Service or Budget Area	Description of Pressure	Pressures			3 Year Total
		2024/25 £m	2025/26 £m	2026/27 £m	
High Life Highland	Estimated Deficit Funding for 24/25 (note: this before any options or recommendations which may come further in due course from Service Delivery Contract review)	2.764			2.764
High Life Highland	Provisional Deficit Funding figure 25/26 (also before any potential SDC savings)		0.894		0.894
Property Maintenance	Pressure funding over 3 years for property maintenance, inspection and repairs	2.000	2.000	2.000	6.000
Waste and Recycling	Persistent Organic Pollutants (POPS) - short-term funding from reserves to manage additional costs arising Waste containing POPs which is now legally required to be treated separately from other waste.	1.500			1.500
Corporate Change	People and Finance Systems programme - new Finance/HR/Payroll system. Project staff, supplier and archive costs.	0.750			0.750
Corporate	Increase in Insurance fund to ensure capacity to manage risk from self-insurance	2.000			2.000
Corporate	Interest and treasury management - reserve fund to manage and smooth potential interest and treasury management budget volatility over short to medium term	3.000			3.000
Corporate	Gaelic Translation services (self funding in time, funded from reserves year 1)	0.052			0.052
TOTAL - PRESSURES MET FROM RESERVES		12.066	2.894	2.000	16.960

(D) INVESTMENT MET FROM RESERVES

Service or Budget Area	Description of Investment	Total
Community Capacity Building	Funding to enable community led capacity building, including delivery of training and mentoring, and specialist support to communities to build capacity in key thematic areas of service delivery e.g. health and social care	1.200
Future investment capacity fund	An earmarked reserve to support future investment opportunities	17.491
TOTAL - INVESTMENT MET FROM RESERVES		18.691

Annex 4: PPP Accounting Flexibility, Year by Year Financial Modelling

Year	PPP principal repayments	Community Schools(2002/03, £20m, 24 years)				Alpha Schools (2009/10, £157m,28 years)				Wick Campus (2017/18, £53m,25years)				Total (reduction) /cost £000	Total NPV £000
		Current position	Principal repayments based on simple 45 year annuity @ 7.910%			Current position	Principal repayments based on simple 45 year annuity @ 5.500%			Current position	Principal repayments based on simple 45 year annuity @ 4.472%				
		Current repayment £000	Revised repayment £000	(Reduction) /cost £000	NPV 3.5% £000	Current repayment £000	Revised repayment £000	(Reduction) /cost £000	NPV 3.5% £000	Current repayment £000	Revised repayment £000	(Reduction) /cost £000	NPV 3.5% £000		
0	pre 2023/24	16,800	2,695	(14,105)	(14,105)	55,610	17,269	(38,342)	(38,342)	11,813	2,590	(9,223)	(9,223)	(61,669)	(61,669)
1	2023/24	1,340	267	(1,073)	(1,037)	5,827	1,801	(4,027)	(3,891)	1,903	502	(1,401)	(1,354)	(6,501)	(6,282)
2	2024/25	1,473	288	(1,185)	(1,106)	6,021	1,900	(4,121)	(3,847)	1,978	524	(1,454)	(1,358)	(6,761)	(6,311)
3	2025/26	697	311	(386)	(348)	6,245	2,004	(4,241)	(3,825)	2,113	548	(1,565)	(1,412)	(6,192)	(5,585)
4	2026/27		336	336	293	6,599	2,114	(4,484)	(3,908)	2,163	572	(1,590)	(1,386)	(5,739)	(5,001)
5	2027/28		362	362	305	6,936	2,231	(4,705)	(3,961)	2,139	598	(1,541)	(1,297)	(5,884)	(4,954)
6	2028/29		391	391	318	7,116	2,353	(4,763)	(3,875)	1,967	624	(1,342)	(1,092)	(5,715)	(4,649)
7	2029/30		422	422	332	7,254	2,483	(4,772)	(3,751)	1,844	652	(1,191)	(936)	(5,541)	(4,355)
8	2030/31		455	455	346	7,463	2,619	(4,844)	(3,679)	2,001	681	(1,320)	(1,002)	(5,708)	(4,335)
9	2031/32		491	491	360	7,890	2,763	(5,126)	(3,761)	2,162	712	(1,450)	(1,064)	(6,085)	(4,465)
10	2032/33		530	530	376	8,463	2,915	(5,548)	(3,933)	2,235	744	(1,492)	(1,057)	(6,509)	(4,615)
11	2033/34		572	572	392	9,335	3,075	(6,259)	(4,287)	2,341	777	(1,564)	(1,071)	(7,252)	(4,967)
12	2034/35		617	617	408	10,372	3,245	(7,127)	(4,717)	2,325	812	(1,513)	(1,002)	(8,023)	(5,310)
13	2035/36		666	666	426	11,304	3,423	(7,881)	(5,039)	2,134	848	(1,286)	(822)	(8,501)	(5,436)
14	2036/37		719	719	444	210	3,611	3,401	2,101	2,023	886	(1,137)	(702)	2,982	1,842
15	2037/38		776	776	463		3,810	3,810	2,274	2,040	926	(1,114)	(665)	3,471	2,072
16	2038/39		837	837	483		4,019	4,019	2,318	2,213	967	(1,246)	(718)	3,611	2,082
17	2039/40		903	903	503		4,240	4,240	2,363	2,637	1,010	(1,627)	(906)	3,517	1,960
18	2040/41		975	975	525		4,473	4,473	2,408	3,306	1,055	(2,250)	(1,211)	3,198	1,722
19	2041/42		1,052	1,052	547		4,719	4,719	2,455	1,827	1,103	(725)	(377)	5,046	2,625
20	2042/43		1,135	1,135	570		4,979	4,979	2,502		1,152	1,152	579	7,266	3,652

		Community Schools(2002/03, £20m, 24 years)				Alpha Schools (2009/10, £157m,28 years)				Wick Campus (2017/18, £53m,25years)					
		Current position	Principal repayments based on simple 45 year annuity @ 7.910%			Current position	Principal repayments based on simple 45 year annuity @ 5.500%			Current position	Principal repayments based on simple 45 year annuity @ 4.472%				
Year	PPP principal repayments	Current repayment £000	Revised repayment £000	(Reduction) /cost £000	NPV 3.5% £000	Current repayment £000	Revised repayment £000	(Reduction) /cost £000	NPV 3.5% £000	Current repayment £000	Revised repayment £000	(Reduction) /cost £000	NPV 3.5% £000	Total (reduction) /cost £000	Total NPV £000
21	2043/44		1,225	1,225	595		5,253	5,253	2,551		1,203	1,203	584	7,681	3,730
22	2044/45		1,321	1,321	620		5,542	5,542	2,600		1,257	1,257	590	8,120	3,810
23	2045/46		1,426	1,426	646		5,846	5,846	2,650		1,314	1,314	595	8,586	3,892
24	2046/47		1,539	1,539	674		6,168	6,168	2,701		1,372	1,372	601	9,079	3,976
25	2047/48						6,507	6,507	2,753		1,434	1,434	607	7,941	3,360
26	2048/49						6,865	6,865	2,807		1,498	1,498	612	8,362	3,419
27	2049/50						7,242	7,242	2,861		1,565	1,565	618	8,807	3,479
28	2050/51						7,640	7,640	2,916		1,635	1,635	624	9,275	3,540
29	2051/52						8,061	8,061	2,972		1,708	1,708	630	9,768	3,602
30	2052/53						8,504	8,504	3,030		1,784	1,784	636	10,288	3,665
31	2053/54						8,971	8,971	3,088		1,864	1,864	642	10,835	3,730
32	2054/55										1,947	1,947	648	1,947	648
33	2055/56										2,034	2,034	654	2,034	654
34	2056/57										2,125	2,125	660	2,125	660
35	2057/58										2,220	2,220	666	2,220	666
36	2058/59										2,320	2,320	672	2,320	672
37	2059/60										2,423	2,423	679	2,423	679
38	2060/61										2,532	2,532	685	2,532	685
39	2061/62										2,645	2,645	691	2,645	691
40	2062/63														
	Total	20,310	20,310	()	(6,971)	156,645	156,645	()	(43,465)	53,164	53,164		(15,985)		(66,422)

Theme	Description	Ref	2024/25 £m	2025/26 £m	2026/27 £m	3 Year Total £m
OPERATING MODEL SAVINGS						
Redesign of Service Delivery	Recycling Services	CP:6	0.365	1.695	0.000	2.060
Redesign of Service Delivery	Configuration of resources in line with policy	EL:3	0.450	0.000	0.000	0.450
Redesign of Service Delivery	Food in Schools : Delivering Sustainability	CS:6	0.262	0.262	0.351	0.875
Redesign of Service Delivery	Children's Services : Family First Approach	CS:22	0.600	0.700	0.700	2.000
Redesign of Service Delivery	Redesign of Adult Social Care	CS:29	7.000	3.000	2.600	12.600
Redesign of Service Delivery	Redesign of the Delivery of Trades Services	HP:9	0.000	0.150	0.150	0.300
Use of Technology	Digital Innovation	CS:34	1.589	0.330	0.199	2.118
Use of Technology	Modernisation of Cleaning Service	HP:7	0.041	0.043	0.043	0.127
Outsourcing	Early Years Delivery Model	EL:13	0.000	0.000	0.500	0.500
Outsourcing	Establish a Business & Employability Support Network	CS:7	0.500	0.000	0.000	0.500
Insourcing	Sustainable Bus Transport Model	IEE:22	TBC	TBC	TBC	0.000
Cross Service Operating Model	Education: Primary Management Restructure	EL:11	0.000	0.000	0.495	0.495
Cross Service Operating Model	Corporate Management Team Restructure	CS:31	0.125	0.125	0.000	0.250
Cross Service Operating Model	Strategic Operating Model	CS:4	1.155	0.415	0.100	1.670
Total Operating Model Savings			12.087	6.720	5.138	23.945
ASSET REVIEW SAVINGS						
Property Assets	Reconfiguring School Assets	CS:28	0.000	0.400	0.500	0.900
Property Assets	Demonstrator Projects	CS:25	0.100	0.175	0.200	0.475
Property Assets	More Energy Efficient Buildings	CS:26	0.100	0.200	0.300	0.600
Property Assets	Implement Network of Community Facilities for Services	CS:23	0.000	0.250	0.500	0.750
Property Assets	Accelerated Rationalisation of Offices & Depots	HP:3	0.050	0.400	0.250	0.700
Property Assets	Terra Tracker	CS:2	0.205	0.000	0.000	0.205
Fleet Assets	Light Fleet Redesign	CP:7	0.285	0.285	0.000	0.570
Total Asset Review Savings			0.740	1.710	1.750	4.200

EFFICIENCY SAVINGS						
Management Process	Efficiencies from Hybrid Work	RF:5	0.627	0.000	0.000	0.627
Management Process	Efficiencies from Procurement	CS:1,DCE:1	2.603	0.349	1.093	4.045
Management Process	Efficiencies from Social Work Procurement	CS:20	0.300	0.200	0.100	0.600
Management Process	Efficiencies from Vehicle Parts	CP:8	0.190	0.000	0.000	0.190
Management Process	Other Efficiencies	IEE:17	0.005	0.000	0.000	0.005
Reduction	Area discretionary budgets top slice (Coastal Communities and Ward Discretionary Budget)	CS:32	0.234	0.000	0.000	0.234
Cross Service Efficiency	1% efficiency target from relevant service budgets	CS:35	1.245	0.985	0.945	3.175
Cross Service Efficiency	DSM adjustments and digital learning	EL:16	1.500	-0.200	0.500	1.800
Total Efficiency Savings			6.704	1.334	2.638	10.676
INCOME GENERATION						
Income from Fees & Charges	Building Warrant Fees	IEE:1	0.500	0.000	0.000	0.500
Income from Fees & Charges	Commercial Lease Fees	HP:8,IEE:6	0.125	0.050	0.075	0.250
Income from Fees & Charges	Increasing Fees and Charges	CS:17	2.592	1.004	0.689	4.285
Income from Fees & Charges	Other Income Generation	Various	0.418	0.182	0.071	0.671
Income from Fees & Charges	Garden Waste Collections	CP:18	0.032	0.040	0.027	0.099
Income from Fees & Charges	Business Waste Collections	CP:17	0.195	0.134	0.093	0.422
Income from Fees & Charges	Infrastructure Support Service	CS:3	0.000	0.100	0.100	0.200
Income from Car Parking	Increased Car Parking Charge	IEE:21	0.608	0.000	0.000	0.608
Income from Car Parking	Roll Out Pavement Parking	IEE:12	0.148	0.000	0.000	0.148
Income from Tourism	Campervans and Motorhomes Charging	CS:18	0.500	0.500	0.500	1.500
Income from Tourism	Unique Tourist Visitor Experiences	CS:19	0.300	0.300	0.300	0.900
Income from Energy	EV Charging	CS:12	0.000	0.100	0.100	0.200
Income from Energy	Battery Storage	CS:11	0.030	0.200	0.200	0.430
Income from Energy	Maximise and Expand Solar PV	CS:13	1.100	0.900	0.500	2.500
Income from Energy	Solar Panels – Commercial Estate	CS:16	0.000	0.200	0.300	0.500
Income from Energy	Commercial Scale Solar PV	CS:15	0.000	0.000	2.600	2.600
Total Income Generation			6.548	3.710	5.555	15.813
TOTAL			26.079	13.474	15.081	54.634

Developing our Future Change Programme

A' leasachadh a' phrògraim atharrachaidh againn a irson an ama ri teachd



Approach to Savings

Built upon the extensive process of budget engagement undertaken by the Council, and taking on board the significant and welcome feedback from our communities, our staff and elected members, the budget savings proposed are within the following four themes:

- Developing our Operating Model
- Looking at our Asset Base
- Being more Efficient
- Generating Income

Approach to Savings

Saving totals are shown across three-years on an incremental basis.

There may be an investment or reserve use related to a saving proposal which is referenced in the text. Further information on investment and reserve use is contained within the covering Council report on the budget.

Where there is a quantifiable staffing impact, expressed in FTE (full time equivalent terms), this is shown. This is intended to represent a net reduction in FTE staffing which may arise from the saving. This may typically be managed through existing Council process such as vacancy management, staff turnover, re-deployment. The Council operates a 'non redundancy' policy where possible.

Overview of Budget Savings by Theme

68

Row Labels	2024 – 2025	2025 – 2026	2026 – 2027	Total
Operating Model	£12.087m	£6.720m	£5.138m	£23.945m
Asset Review	£0.740m	£1.710m	£1.750m	£4.200m
Efficiency	£6.704m	£1.334m	£2.638m	£10.676m
Income Gen	£6.548m	£3.710m	£5.555m	£15.813m
Grand Total	£26.079m	£13.474m	£15.081m	£54.634m

Key:

CP:06

Savings have a reference number shown to allow cross-reference to other annexes and documents.

The staffing Full-Time Equivalent (FTE) impact of a saving is also shown.

This may be Nil or N/A if there is no impact.

FTE:
TBD

In some instances, impact may be positive, for example if additional staffing will be used to deliver an income generation saving or a service is being in-sourced to the Council.

Where there are reductions in staffing (or the equivalent of a reduction) the FTE is shown as a minus '-' value.

TBD is noted where the impact on staffing is to be determined. This is where a redesign project or piece of work is under development or insourcing will take place.

Developing our Operating Model



You said!

We should consider our operating model.

The public suggested changes how we deliver services:

- Review and reduce management
- Join up teams and merge services, reducing duplication and improving service delivery
- More online meetings with less travel and travel time
- Less working from home to improve efficiency
- More working from home and remote working – save on travel time and cost of buildings
- Better use of existing staff than outsourcing or agency.
- Automate and use AI for processes to reduce staff costs
- Devolve more power and responsibility to local level, listen to and consult the public
- Return to District Councils – greater local autonomy
- Employ trades inhouse rather than external contractors
- Reduce education middle management and return head teacher secondments to schools

- Reduce bin collection and encourage more recycling
- Introduce a 4 day working week
- Increase class sizes in schools
- Outsource/partner with other Local Authorities for back office functions and other services
- Reduce duplication and overlap in services – if third sector provide, the Council shouldn't
- Work in partnership with other agencies
- Support the vulnerable first then prioritise other user groups
- Reduce duplication of services across areas – more centralised services
- More autonomy in decision making for front line services.
- Focus on more preventative work to avoid expensive repairs e.g. potholes, roads, pavements, drainage
- Fewer Councillors and reduce Councillor expenses

Developing our Operating Models

- In light of reducing budgets, we need to change what we do and how we do it. This involves committing to service change models, greater integration of teams and reducing central operations in order to preserve local operations
- Where possible, we want to sustain jobs, and also local services, though we may need new ways to do so
- Since the advent of our hybrid working policies and increased digitisation of services, there is less requirement for this amount of assets
- In future, we will look to increase co-location of services with one another and with other agencies, such as the NHS, Police Scotland, et cetera.

Summary of Savings from Changing Our Operating Model

Savings by Theme	2024 - 2025	2025 - 2026	2026 –2027	Total
Redesign of Service Delivery	£8.677m	£5.807m	£3.801m	£18.285m
Use of Technology	£1.630m	£0.373m	£0.242m	£2.245m
Outsourcing	£0.500m	-	£0.500m	£1.000m
Insourcing	TBC	TBC	TBC	TBC
Cross Service Operating Model	£1.280m	£0.540m	£0.595m	£2.415m
Total Savings	£12.087m	£6.720m	£5.138m	£23.945m

Recycling Services

Saving Value: £2.060m

Redesigning Services

2024 - 25

2025 - 26

2026 - 27

£0.365m

£1.695m

£0.000m

Context - The public were supportive of our waste service delivery, but people asked us to review how we can improve recycling. Redesigning services was supported during phase 2 engagement.

What are the risks / mitigations?

There is a procurement-related risk: order fulfilment / provision of bins may impact on phased timetable. Risks are being managed through a project board.

Saving in Detail 74

Highland Council received Scottish Government's Recycling Improvement Fund grant to deliver transformational change in kerbside waste and recycling collections (£6.550m). This is to enable sustainable waste solutions.

How we would implement this

Savings can be achieved by introducing collection service change to all areas:

- Bring in "twin-stream" recycling service
- Expand weekly food waste recycling beyond Inverness to 32,000 houses
- Reducing residual waste bin capacity to all householders

What are the benefits?

A transformation of kerbside waste and recycling collections supporting the reduction of residual waste, increasing recycling and improvements in food waste management.

How would the public be affected?

Expanding food waste collection and reducing the capacity of the residual waste bin will result in a reduction/diversion of residual waste, this will provide savings on both residual waste treatment and haulage.

CP:06

Impact on Staff

Some changes of staff behaviours may be required. These are being managed as continual improvement.

Deliverability

This is an achievable saving and a deliverable saving for improvement.

FTE: 0

Impacts on Groups / Communities

A screening for impacts has been completed as part of the design of the new approach to kerbside waste and recycling collections. Mitigations are in place for larger families or people with medical conditions

Configuration of resources in line with policy

Saving Value: £0.450m

Redesigning Services

2024 - 25

2025 - 26

2026 - 27

£0.450m

£0.000m

£0.000m

Context

The public have asked us to reflect on how we support children. The Committee has agreed on improvement.

What are the risks / mitigations?

There is a current risk in that if the service does not review the recorded pupil needs of each child that appropriate levels of support will not be provided.

Saving in Detail

75

The ASL Staffing Standard was agreed at the February Education Committee. Phase 2 implementation begins in August 2024. As part of this, there will be a review of the recorded pupil needs across Highland and a presumption of mainstream for all children and young people.

How we would implement this

By continuing to apply the policy agreed by the Education Committee, a more responsive in-reach/out-reach model will be achieved. We will derive efficiencies in how we operate in line with the staffing standard for ASL agreed.

What are the benefits?

There is a benefit from a more formalised approach to supporting presumption of mainstream and community-based solutions. It will strengthen GIRFEC practice and support more creative solutions.

How would the public be affected?

The public will have greater confidence that the school system is catering effectively for all children and responding appropriately to those who present with distressed behaviour.

EL:03

Impact on Staff

The saving is equivalent to the cost of 6.fte but there is no direct impact to permanent staff

Deliverability

This is an achievable saving, which is enabling further system improvements.

FTE:

-6

Impacts on Groups / Communities

A screening for impact has been completed. This highlights the positive impacts anticipated from this proposal, to ensure all children and young people have equality of opportunity irrespective of circumstances.

Food in Schools: Delivering Sustainability

Saving Value: £0.875m

Redesigning Services

2024 - 25

2025 - 26

2026 - 27

£0.262m

£0.262m

£0.351m

Context - Feedback from the public is that we need to be more efficient in what we do. This saving, from staff and elected members, is about doing that and redesigning services was supported during phase 2 engagement.

What are the risks / mitigations?

There are current risks to be managed in relation to low level of take up of free school meals and levels of waste from school meals.

Saving in Detail 76

A council wide project is being developed to review Food services which includes the delivery of more than 3m meals per year. Separate from other waste or education savings, this saving looks to institute a clearer end to end process involving food sourcing, production and waste disposal.

How we would implement this

A full process review will be undertaken, including purchase of food (contracts), service structure, income generation, take-up of free school meals, delivery and potential alternative delivery models such as an expanded voucher/ payment scheme, and waste management.

What are the benefits?

A higher quality, more efficient and effective model will be derived from this review.

How would the public be affected?

The public will benefit from improved value for money in the provision of school meals, with reduced waste and a greater contribution to our sustainable food in schools agenda.

CS:06

Impact on Staff

Staff will benefit from operating a more effective set of arrangements. There will be staff efficiencies managed over time.

Deliverability

Comparison with other authorities for staffing levels and food costs shows efficiency opportunities.

FTE:
TBD

Impacts on Groups / Communities

An Integrated Impact screening has been established and will be updated as part of the review. Work will be done to consider implications for particular groups, especially in relation to dietary needs.

Children's Services: Family First Approach

Saving Value: £2.000m

Redesigning Services

2024 - 25

2025 - 26

2026 - 27

£0.600m

£0.700m

£0.700m

Context

The feedback from care experienced children in Highland has been that their needs should be catered for in their own communities.

What are the risks / mitigations?

The management of risks (staff vacancies and turnover) will be mitigated by via a more robust staffing model with permanent teams and support worker roles being key.

Saving in Detail 77

In a pilot, we invested in new teams to work alongside families and embed the Promise ethos, continuing to improve service outcomes. In phase 2, we can make these posts and teams permanent. By working with children and their family, the need for placements would reduce

How we would implement this

We aim to increase our number of foster carers via innovative targeted marketing to enable us to continue reduce independent foster placements. We will also develop kinship care to enable more children and young people to remain in the family home. We will establish a Virtual School to manage this.

What are the benefits?

We will also be making a clear commitment to our improvement plan that emerged from the Joint Children's Inspection. Our review team will take forward quality improvement.

How would the public be affected?

The public will benefit from strengthened social work services which support them at key moments. – and a more effective service delivery model with better outcomes. Service users will benefit from greater use of digital solutions to develop more sustainable systems.

Impact on Staff

The equivalent of 4FTE but it is a positive impact on this staff group, providing greater resilience and stability in staffing and providing career pathways.

Deliverability

There is a spend to save element in this saving. By committing to service improvement, we can derive better outcomes.

Impacts on Groups / Communities

A screening for impact has been completed. This has highlighted positive impacts for young people and people with disabilities by sustaining people in their communities and responding to need.

CS:22

FTE:
-4

Redesign of Adult Social Care

Saving Value: £12.600m

Redesigning Services

2024 - 25

2025 - 26

2026 - 27

£7.000m

£3.000m

£2.600m

Context - The public asked us to enable older and vulnerable people to live more independently and well at home. Others asked us to reduce social care. There was support for redesigning services during phase 2 engagement.

What are the risks / mitigations?

We have agreed with NHS there has to be transformation in social care. Highland has Scotland's 2nd lowest balance of care, risking people being in institutions who do not need to be.

78

Saving in Detail

19% of Highland Council's budget is Adult Social Care (ASC). Since 2020, funding to NHS to deliver ASC grew from £100m to £137m, with further Scottish Government funding for 2024/25. By giving additional resource, we work alongside NHS colleagues to change the balance of care and develop care in the community.

How we would implement this

Through the Joint Strategic Plan both NHS and THC have recognised the need for change and transformation in Adult Social Care. The council will earmark a reserve of up to £20m to top up funding for Adult Social Care and to support delivery of savings and service redesign.

What are the benefits?

There is a planned approach built into the revised HOIP that vulnerable people across the Highland area should be enabled to live independently and well. Moving from reactive care solutions reduces spend.

How would the public be affected?

The public will benefit from more person-centred approaches, with more creative community-based solutions found to care provision, allowing people to live well at home for longer. Improved use of technology will support families and community care solutions.

Impact on Staff

Partners to work across teams more and with community partners to deliver a transformation in care.

Deliverability

The programme is needed to support NHS to achieve the strategy agreed with the public. The budget liability is the Council's.

Impacts on Groups / Communities

A full impact assessment was undertaken for the new Adult Strategic Plan. Enabling those with significant need to be supported in communities is key to our planning. Impacts will be positive.

CS:29

FTE
N/A

Redesign of the delivery of Trades Services

Saving Value: £0.300m

Redesigning Services

2024 - 25

2025 - 26

2026 - 27

£0.000m

£0.150m

£0.150m

Context

The public asked us to derive better value from our contracts/purchasing and staff suggestions included better use of our own staff to deliver trades.

What are the risks / mitigations?

There will be a focus on ensuring local trades can benefit from applying for council contracts, especially in rural areas.

Saving in Detail 79

Delivery of a new Contractor Trades Framework combined with insourcing more work to council operated teams. Growing the number of internal trades should reduce response times for minor works repairs. Once established there may be opportunities for providing services to other customers.

How we would implement this

A Project Manager has been appointed and a Project Board has been assembled. The initial focus will be on tendering for Inner Moray Firth and South Highland geographical lots in 2024/25, expanding to other parts of Highland in due course.

What are the benefits?

The benefits will be to derive better value from our trades contracts and grow our in-house service to deliver faster and better quality outcomes for our tenants and other customers.

How would the public be affected?

Quicker and better quality outcomes for our housing tenants. Developing a trades service for external customers will be of benefit especially in rural areas where it can be challenging to secure tradespeople especially for relatively small-scale works.

Impact on Staff

Insourcing would create additional Highland Council trades posts.

Deliverability

this builds upon existing work previously approved through a Redesign Review

Impacts on Groups / Communities

A screening for impact has been started. Positive impacts are anticipated, delivering faster and improved outcomes in rural areas. Improved efficiency will lead to some reduction in spend – impact anticipated to be limited. The screening will be updated as the framework is developed.

HP:9

FTE:
+tive
TBD

Digital Innovation

Income Value £2.118m

Using Technology

2024 - 25

2025 - 26

2026 - 27

£1.589m

£0.330m

£0.199m

Context - This was a suggestion proposed by members of the public and staff who asked that we reflect on how we can use technology better. There was support for using technology during phase 2 engagement.

What are the risks / mitigations?

Initial cost saving projections may be too ambitious. Savings targets will be scaled back until the programme is underway and assumptions verified.

Saving in Detail 80

By using digital innovation, data and marketing insights, the Council will be able to deliver more efficient, person centred services, reducing waste and maximising impact.

How we would implement this

Activity includes using AI to automate processes; improving the Council's online services; encouraging demand for paid for or premium Council services; reducing poverty and vulnerability by enabling more people to access financial resources

What are the benefits?

Cost reductions can be made without reducing service levels. In many cases, performance should improve.

How would the public be affected?

The public will experience more efficient, intelligence-based services, aligned to their preferences and needs.

CS:34

Impact on Staff

Staff will benefit from more efficient and intelligence-based processes.

Deliverability

Targets have been set lower than initial projections to ensure delivery. Will review post initiation.

FTE:
0

Impacts on Groups / Communities

Screening for impact will be required for individual aspects of service delivery to ensure this does not disadvantage people from accessing services. The Council recognises that not everyone wants to access services digitally.

Modernisation of Cleaning Service

Saving Value: £0.127m

Using Technology

2024 - 25

2025 - 26

2026 - 27

£0.041m

£0.043m

£0.043m

Context

The public have asked us to make our services more efficient and to invest in technological solutions. There was support for using technology from the phase 2 engagement

What are the risks / mitigations?

There is a risk of moving too quickly through phases of implementing robotic solutions. Technology is advancing and staff buy in is critical.

Saving in Detail 81

New technology can further support CFM service delivery. Robotic technology in 2023-2024 assisted with cleaning of spaces in large secondary schools and primary schools. Also, small robotic vacuum trials have been successful in carpeted areas in classrooms and offices in several locations.

How we would implement this

From 2025-2026 there will be saving from robotic investment, with potential for more, assuming further investment is provided to purchase further robotics as vacancies arise.

What are the benefits?

There is a benefit in expanding such cleaning solutions as they may lead in time to a more expansive offering when the technology and operating models are fully realised.

How would the public be affected?

There is no impact on the general public.

HP:07

Impact on Staff

The equivalent of 4 FTE however this will be managed through vacancy management and robotic solutions are being introduced gradually to reflect changing workforce conditions.

FTE:
-4

Deliverability

As an on-going process, there is limited risk in this saving.

Impacts on Groups / Communities

A screening for impact has been undertaken and no negative impacts identified on staff, groups or communities.

Early Years Delivery Model

Saving Value: £0.500m

Improving our Commissioning

2024 - 25

2025 - 26

2026 - 27

£0.000m

£0.000m

£0.500m

Context

The public (especially in rural areas) asked us to review how we deliver childcare services. We have reflected on how to improve our model.

What are the risks / mitigations?

Two PVI providers closed in 2023. Reasons are staff recruitment / retention; their ability to pay a 'reasonable' wage and poor inspection outcomes.

Saving in Detail 82

The private and voluntary sector (PVI) deliver a third of funded ELC places in Highland and Highland Council cannot deliver 1140 hours without the PVI sector. A revised model to create a rural childcare solutions and balanced delivery model will be put in place.

How we would implement this

A four year procurement strategy will guarantee the longer-term finance for funded providers. The saving is to provide more sustainable funding rate over a longer procured period – and derive efficiency.

What are the benefits?

A model for a subsidised, commissioned rural childcare solutions has been developed to provide a more flexible and place-based approach – including not only funded hours for 2-5s but also school age.

How would the public be affected?

In rural communities, ELC delivery tends to be school day/term time only which does not meet the needs of all parents. We want to use this opportunity to generate rural childcare solutions, to support a more flexible childcare offering.

Impact on Staff

There may have to be some adjustment to local authority delivery models for ELC in light of this development.

Deliverability

An ask of the public is better childcare. This is a staff suggestion which can be implemented as a saving.

Impacts on Groups / Communities

A screening for impact has been completed. This has identified positive impacts for working females and remote, rural and island communities.

EL:13

FTE:

0

Establish a Business and Employability Support Network

Saving Value: £0.500m

Improving our Commissioning

2024 - 25

2025 - 26

2026 - 27

£0.500m

£0.000m

£0.000m

Context

The public has asked us to reduce duplication in service delivery. Businesses want more streamlined arrangements for engagement.

What are the risks / mitigations?

There is the risk of reduction in service as the new service is designed. It will be important to secure the buy in of key partners to the virtual team model.

Saving in Detail 83

We will establish an updated networked solution for our business support and employability service model which reduces duplication and complexity through the introduction of a virtual team of local and national public and third sector partners to deliver end to end services.

How we would implement this

Based on models from across the country, the support network will include a commissioned service delivery model to incorporate third sector activity. We will also learn from outsourced service models to assess the best option for delivery.

What are the benefits?

There is to be greater alignment of both in-school and post-school learning towards career pathways and training under one service model, with funding aligned to outcomes.

How would the public be affected?

In situations where members of the public are displaced from the labour market, there will be a viable local support solution available which is more able to help them into work. Businesses will benefit from more intelligent data systems to support communication with them.

Impact on Staff

The equivalent of 8 FTE. This will reduce duplication and support greater alignment between directorates and other providers.

Impacts on Groups / Communities

A screening for impact has been completed. This highlighted positive impacts on females, disabled and young people who are key users. Overall positive impacts on creating strong networks and pathways into employment for people and businesses.

Deliverability

This development will strengthen third sector opportunities and improve partnership communication.

CS:07

FTE:
-8

Sustainable Bus Transport Model

Cost Avoidance Value: £TBCm

In-sourcing Service

2024 - 25

2025 - 26

2026 - 27

TBC

TBC

TBC

Context - A key ask from communities is for sustainable public transport. Our elected members also asked us to look at this. There was support for improving who provides services from phase 2 engagement.

What are the risks / mitigations?

There is a current issue of market failure, which risks a lack of future bus transport capacity to meet community needs. An options appraisal is being conducted for this.

Saving in Detail 84

Highland areas suffer from on-going market failure in the area of bus transport. Therefore, options are being developed to provide bus transportation for Highland areas, so as to enable a more sustainable transport model.

How we would implement this

We would seek to purchase enough rolling stock and recruit drivers. We may also review depot provision and are assessing potential capital costs. However, since costs of transport procurement have spiralled in recent years, there is a clear cost benefit in moving to a public owned model for Highland.

What are the benefits?

Anticipated benefits are: increased service to remote and rural communities, as well as greater resilience in transportation arrangements and a planned approach to fleet modernisation / electrification.

How would the public be affected?

There is the potential for a more responsive and sustainable bus service to be established for Highland communities and an opportunity for significant packaging of school and community access routes.

IEE:22

Impact on Staff

There would be the possibility of some staff being in-sourced from the private sector to the Council or an ALEO as part of planning.

Deliverability

This would be a solution to an escalating problem for communities. Numbers will be confirmed in options appraisal.

FTE:
TBD
+tive

Impacts on Groups / Communities

A screening for impact has been undertaken which highlights positive impacts on: rural/ island communities, individual ability to access services/employment/activities and on particular groups such as older/young people more likely to use services.

Education: Primary Management Restructure

Saving Value: £0.495m

Cross-service Operating Model

2024 - 25

2025 - 26

2026 - 27

£0.000m

£0.000m

£0.495m

Context

Members of the public asked us to consider our middle management structures. This is a proposal developed by our staff.

What are the risks / mitigations?

Principal teachers in primary are not part of the management team and do not hold responsibility for discrete areas of work, their role is currently solely about providing assistance.

Saving in Detail 85

Remove post of principal teacher (primary). This would be of benefit both Depute Head Teachers and Head Teachers, particularly in smaller schools who both have a class teaching commitment.

How we would implement this

The post currently attracts half a day of management time per week, this would be transferred either to the Depute Head Teacher in the school or the Head Teacher in smaller settings. PTs will be supported to progress through the middle leaders' development programme.

What are the benefits?

The additional management time for HTs and DHTs would allow for reduction in workload, support the collaborative improvement agenda as well as improving the sustainability of post in terms of staff retention.

How would the public be affected?

The public would be unaffected. Parents/carers with children in school would benefit from enhanced management capacity within the core senior management teams in schools.

Impact on Staff

This will affect 70 staff however the overall number of primary teachers is maintained. Staff affected receive 3-year salary conserved (SJNC).

Deliverability

This is an achievable saving and a deliverable suggestion, subject to managing staff impacts.

Impacts on Groups / Communities

A screening for impact has been undertaken. This highlights impacts on a particular staff group which are predominantly female. Mitigation is in place in terms of conserved salary and leader development programme.

EL:11

FTE:
0

Corporate Management Team Restructure

Saving Value: £0.250m

Cross Service Operating Model

2024 - 25

2025 - 26

2026 - 27

£0.125m

£0.125m

£0.000m

Context - The public and staff asked us to review our senior management structure. The current model is lean compared to other councils. This suggestion was supported during the second phase engagement.

What are the risks / mitigations?

There is a current risk around the senior team structure, which has been noted in various recent audit reports, which the saving finds solutions to.

Saving in Detail 86

In line with the savings being made by all services, it is anticipated that a proportionate reduction will be made to the senior team. This involves an externally conducted review of the corporate management team's purpose, function and form.

How we would implement this

The proposed model will be implemented under existing Council policies. The purpose of the exercise is to ensure as much continuity as possible, but also to secure improved operations through the structural change which is proposed. The currently estimated figure of £250k will be revised following fuller review.

What are the benefits?

There is a clearer relationship between form and function. There is an appropriate response to the challenges raised by audit reports. There is clarity of purpose for the corporate management team.

How would the public be affected?

The public would benefit from a more clearly defined corporate leadership team structure and culture which is wholly devoted to achieving success.

CS:31

Impact on Staff

Affected staff would be managed under existing council policies.

FTE:

-3

Deliverability

This saving settles the issue of central team structures and enables the council programme.

Impacts on Groups / Communities

A screening for impact, and if relevant a full impact assessment, will be undertaken as part of the restructure process. Any impacts will be on staff and not groups or communities.

Strategic Operating Model

Saving Value: £1.670m

Cross-Service Operating Model

2024 - 25

2025 - 26

2026 - 27

£1.155m

£0.415m

£0.100m

Context

The public and staff asked us to review our middle management structure and ensure it is easier to understand and engage with.

What are the risks / mitigations?

The change will be managed through existing Council policies.

Saving in Detail 87

Highland Council services have had autonomy to determine area management models, leading to significant variation in how services are managed. In places, this has led to a lack of local alignment between services and consistency of oversight due to structural complexity.

How we would implement this

An operating model will be implemented across all services, based on a model of north and south, with a number of area hubs, and a number of local community satellites. We will support the 3rd sector in capacity building to enable growth of service delivery capacity at local area level.

What are the benefits?

This will generate on-going revenue savings and operational efficiencies for the Council and deliver a decentralised local service delivery model to support communities across the whole Highland area.

How would the public be affected?

The public will benefit from more effectively integrated service provision and services delivered from local community based hubs and satellites.

Impact on Staff

This is a management restructure to integrate service provision more effectively & support local areas. Affected staff would be managed under council policies.

Deliverability

This will be achieved through management restructuring across all services which will be delivered as a managed process.

Impacts on Groups / Communities

A screening for impact will be completed as part of the development of the Strategic Operating Model. Any impacts are anticipated to be on management and not on service users.

CS:04

FTE:
-19.2

Looking at our Asset Base



You said!

We should⁸⁹ review how we utilise and sustain our asset base.

Members of the public suggested a number of developments that would reduce cost but also potentially improve service delivery. These included:

- Operate fewer vehicles
- Stop subsidising buses with low passenger numbers
- Reduce building footprint – support flexible working, reduce travel, maintenance, energy use
- Modernise remaining buildings to be more energy efficient
- Mothball schools with low numbers
- Utilise school space, halls, libraries, leisure centres as hubs/pop up services
- Reduce the number of service points and libraries and do more online

- Increase small electrical buses to deal with peaks and troughs in passenger numbers
- Reduce heating in Council buildings
- Use LED lighting
- Reduce opening hours in libraries, recycling centres and service points
- Work with partner organisations to share buildings
- Fix existing schools and expand where required due to developments

Providing a Sustainable Asset Base (Reductions and Co-locations)

- The Council owns more than 3,500 assets, including 1,400 bridges, 91 harbours and 200 schools. It has large numbers of offices and depots.
- Since the advent of our hybrid working policies and increased digitisation of services, there is less requirement for this amount of assets.
- Many of our schools were established to meet historic demand that is no longer present. There are other places with increasing demand. The education service has to provide high quality learning experiences for all young people.
- In future, we will look to co-locate services with one another and with other agencies, such as the NHS, Police Scotland, et cetera.

Summary of Savings from Changes to Our Asset Base

91

Savings by Theme	2024 - 2025	2025 - 2026	2026 - 2027	Total
Property Assets	£0.455m	£1.425m	£1.750m	£3.630m
Fleet Assets	£0.285m	£0.285m	-	£0.570m
Total Savings	£0.740m	£1.710m	£1.750m	£4.200m

Reconfiguring School Assets

Saving Value: £0.900m

Redesigning our Asset Base

2024 - 25

2025 - 26

2026 - 27

£0.000m

£0.400m

£0.500m

Context - The public have asked us to consider reducing our building footprint, raising class sizes, and having fewer schools. There was support for this during the second phase of engagement.

What are the risks / mitigations?

At least 1/3 of the school estate is in poor condition. There is a risk in relation to legislative requirements relating to school closures. Further work to be done on savings value.

Saving in Detail 92

Based on the previous experience of the service, as a consequence of falling rolls and roll projections in future years, the Council is likely to require fewer school places. Savings will be realised through a combination of mothballing and closures across a number of settings.

How we would implement this

The savings will derive from:

- reduced staffing requirement for teachers and ancillary staff, including CCFM staff, and
- a reduction in spend on utilities, rates, maintenance and other building related costs.

What are the benefits?

Pupils and staff benefit from higher quality learning environments and a great social network to support learning and development.

How would the public be affected?

Steps would be taken to ensure that any community affected by mothballing or closure would be supported by a package of measures, including transportation, access to pupil support and developments in childcare for rural areas.

CS:28

Impact on Staff

By consolidating resources across schools, there will be fewer unfilled teacher vacancies, less use of supply & positive impact on pupil outcomes

Deliverability

The council has a strong track record of consolidating educational provision, which this work will be based on.

FTE:
TBD

Impacts on Groups / Communities

An Integrated Impact Assessment will be undertaken as part of the review and consultation process for each school and community affected and will set out any mitigations required.

Demonstrator Projects

Saving Value: £0.475m

Redesigning our Asset Base

2024 - 25

2025 - 26

2026 - 27

£0.100m

£0.175m

£0.200m

Context

The public have asked us to reduce our building footprint and improve the extent to which we share assets with other partner agencies.

What are the risks / mitigations?

Benefits of any capital investment would be measured against savings v cost of borrowing. The concept should be tested first before wider roll out.

Saving in Detail 93

Reconfiguring 3 area offices to free up potential additional space for rental to generate income from DWP and other agencies / building users. Offices include:

- Tigh-na sgire, Portree
- Caithness Demonstrator
- Charles Kennedy Building, Fort William

How we would implement this

There is external investment for projects in Caithness and Skye. We would require to supplement this with additional capital investment from reserves (£3m – 4m). We would then co-locate services within the facilities, as part of a future operating model.

What are the benefits?

This could enable colocation of Council and other public sector/third sector services, and also help in facilitating rationalisation of other offices / buildings, providing potential revenue savings / capital receipts.

How would the public be affected?

A potential benefit of colocation is more seamless public services, enhancing cross-service and cross-functional cooperation and reducing silo working; repurposing spaces to provide new and additional education support, health and care services and other wellbeing advice.

Impact on Staff

Staff will benefit from more productive and appropriate working environments.

Deliverability

These projects are externally funded and can release savings, becoming a template for future integrated service delivery models.

Impacts on Groups / Communities

A screening for impact will be undertaken for each of the offices affected as the work progresses. Any impact is anticipated to be positive as a result of co-location.

CS:25

FTE:
0

More Energy Efficient Buildings

Saving Value: £0.600m

Redesigning our Asset Base

2024 - 25

2025 - 26

2026 - 27

£0.100m

£0.200m

£0.300m

Context - The public have asked us to improve the energy efficiency of our buildings, closing some buildings and making the rest more sustainable. There was support for this during the phase two engagement.

What are the risks / mitigations?

The reduction in facilities needs to be accompanied by planned approaches to ensure access to services as part of an area wide mapping.

Saving in Detail 94

As part of our review of assets we need to ensure that all areas of our estate are fully aligned to strategic priorities set by the council. This allows the possibility of strategic investment in the leisure and culture and wider council estate as part of a rationalisation process.

How we would implement this

Reduce utilities costs by across our estate, including High Life Highland facilities. This will include targeted work at specific locations (highest energy use). We would reduce the cost of energy by implementing a range of energy efficient measures in those we will sustain.

What are the benefits?

The benefits are in reducing energy costs and carbon emissions and revenue and funding costs associated with existing buildings

How would the public be affected?

Local and targeted engagement required where change is identified for specific locations.

Impact on Staff

Staff and users will benefit from more productive and appropriate working and participating environments.

Deliverability

The Council cannot afford its asset base and requires to reduce it as part of a managed process.

Impacts on Groups / Communities

A screening for impact has been completed. There are no anticipated negative impacts but positive impacts identified in relation to reducing carbon emissions and deliver our net zero targets.

CS:26

FTE:

0

Implement Network of Community Facilities for Services

Saving Value: £0.750m

Redesigning our Asset Base

2024 - 25

2025 - 26

2026 - 27

£0.000m

£0.250m

£0.500m

Context

The public have asked us to make better use of our buildings, reducing those that we don't need and aligning services in key hubs.

What are the risks / mitigations?

There is a risk of access to services which will be managed through place mapping, within strategic priorities. A reserve of £2m will be established to manage the programme.

Saving in Detail 95

We have a base of 3500 assets that we cannot afford to sustain, including some which there is no business case to do so. We can consolidate them into a new service delivery map, to secure provision of services for the future for communities and access to them for groups.

How we would implement this

As service delivery in a number of places can be rationalised into fewer buildings as part of a place-based asset map: incorporating services such as libraries, community services and contact points into single hubs.

What are the benefits?

The reduction in the number of assets makes council operations sustainable. The reduction in risk to staff and members of the public being located in unsustainable assets is managed.

How would the public be affected?

We will establish a map of area hubs and community satellites. The public will be consulted on impact for them in relation to specific plans, as per requirements placed on councils.

Impact on Staff

Staff will benefit from being located in improved quality locations. There will be some staff efficiencies but these are to be determined.

Deliverability

A paper will be brought to committee in March which will show how this will be delivered.

Impacts on Groups / Communities

Impacts will be considered for specific locations and built into the review approach including engagement with the public to understand impact.

CS:23

FTE:
TBD

Accelerated Rationalisation of Offices & Depots

Saving Value: £0.700m

Redesigning our Asset Base

2024 - 25

2025 - 26

2026 - 27

£0.050m

£0.400m

£0.250m

Context

Previously agreed by Council, this was a suggestion proposed by members of the public, staff and elected members.

What are the risks / mitigations?

The saving responds to property risks, where assets need to be upgraded or replaced. Reducing our asset base will help to deliver Net Zero targets.

Saving in Detail 96

We can deliver a more efficient office estate, harnessing hybrid working and improvements in technology.

The depot estate will be aligned with new delivery models. Non-operational depots will be earmarked for disposal, others will be modernised to be fit for purpose.

How we would implement this

The saving will be delivered by a reduction in utility and other building running costs. Services will review operating models to identify where fewer facilities are required and ensure where buildings are retained their floorspace is optimised for disposal / transfer of as many underutilised / poor condition assets as possible.

What are the benefits?

The Council cannot afford to sustain the current estate. The condition of the estate brings increasing risks that need managed. The saving ensures that people are safe in buildings of higher quality condition.

How would the public be affected?

If rural offices close, other suitable options are needed for people to meet council officers face-to-face.

HP:03

Impact on Staff

Positive impacts relate to improved working environments

FTE:

0

Deliverability

There is considerable activity required to rationalise in this area. The saving is a necessary activity.

Impacts on Groups / Communities

Impacts will be considered for each of the facilities in scope and services working from these facilities will manage impacts. This depends on options appraised and chosen.

Terra Tracker

Saving Value: £0.205m

Redesigning our Asset Base

2024 - 25

2025 - 26

2026 - 27

£0.205m

£0.000m

£0.000m

Context

The public have told us we need to make better use of our assets. They also regularly make representations to us about the ownership of land.

What are the risks / mitigations?

There is a risk that the team will not generate income This is underwritten by reserve for two years. If it does not succeed, it will be disestablished.

Saving in Detail 97

The Terra Tracker project will aggregate, validate and update information on land and buildings owned by Highland Council. Terra Tracker will optimise the resolution of title queries, commercial use of land and be a key enabler for other initiatives e.g. green energy and tourism.

How we would implement this

Council gave approval for a small team to be established to manage this area of activity. Over two years team will produce a consolidated dataset of property information and make this available to stakeholders.

What are the benefits?

There is a considerable financial benefit in terms of both revenue savings and income generated, as well as capital receipts.

How would the public be affected?

The public would benefit from more efficient responses to queries regarding council land ownership.

Impact on Staff

A small team is being created on a short-term basis.

Deliverability

The saving is established and the only risk is relating to how quickly the Terra Tracker generates income.

Impacts on Groups / Communities

A screening for impact has been undertaken and there is no anticipated impact on staff, groups or communities.

CS:02

FTE:
+4

Light Fleet Redesign

Saving Value: £0.570m

Redesigning our Asset Base

2024 - 25

2025 - 26

2026 - 27

£0.285m

£0.285m

£0.000m

Context - The public suggested that we look at how we use our fleet. We have reflected on this. There was support for this during the phase 2 engagement.

What are the risks / mitigations?

There can be lead in times for the implementation of digital solutions to support business process redesign and reshaping service delivery.

Saving in Detail 98

The Council's Approach to Sustainable Business Travel approved at Communities and Place Committee in August 2023 includes a 20% reduction in light fleet (cars and vans) by 2025/26. A rationalisation of light fleet will reduce costs, miles travelled (6m per annum) and emissions.

How we would implement this

Services continue to review how they deliver services including business process redesign enabled by Digital Transformation and greater use of technology. This includes utilising the most appropriate and efficient routing and vehicles used and considering the Council's travel hierarchy.

What are the benefits?

A sustainable Highland environment helping to achieve our Net Zero targets and promoting active travel. A resilient and sustainable council in response to constrained budgets.

How would the public be affected?

There will be minimal impact on the public.

Impact on Staff

Staff will consider travel behaviours and impact on the environment as part of fulfilling their roles and use of technology where appropriate

Deliverability

This saving is deliverable based on on-going work by services across the council.

Impacts on Groups / Communities

A screening for impacts has been undertaken. The screening highlights no negative impacts staff, key groups and positive impacts on reducing emissions and contributing to Net Zero targets.

CP:07

FTE: 0

Being More Efficient



You said!

We should¹⁰⁰ find even more ways to be more efficient.

Members of the public suggested a number of developments to improve efficiency

- More online meetings and more hybrid working to save on travel, number of buildings needed
- Pathways to employment for key roles to reduce agency spend
- Reduce overtime/ sick-pay/pension entitlements
- Automate more processes to reduce staff
- Increase auditing to prevent benefit fraud and ensure tighter rein on spending
- Staff suggestions scheme with clear implementation plans and feedback
- Fewer Council meetings
- Introduce skills register, flexible career paths
- Reduce reliance on bank staff/agency staff

- Do more online – digitise admin, finance records, online forms, records and transactions
- Develop a volunteer programme for community based activity e.g. maintaining public spaces, litter picks, toilets
- Allow use of cheaper 'off contract' tradespeople
- Apply business like processes/private enterprise
- Improve contract management – penalties for late completion
- More virtual or AI courses in schools
- Focus on statutory only services
- Reduce funding to community groups/organisations
- Reduce or stop floral/lighting displays/fireworks/Christmas celebrations

Creating further service efficiencies

- Highland Council has made over £190m in savings over the past 11 years – on average £17m per annum. But in light of available budget, we have to do even more
- We have reviewed current operations with staff groups, taken suggestions from across our council workforce and developed a number of ideas based on these, which fall into the category of efficiencies we might be able to achieve
- Many of these savings ideas also came from members of the public, who provided their own insights to how we might improve efficiency in how we deliver services.

Summary of Savings from Efficiencies and Budget Reductions

102

Savings by Theme	2024 – 2025	2025 – 2026	2026 - 2027	Total
Management Process	£3.725m	£0.549m	£1.193m	£5.467m
Reduce	£0.234m	-	-	£0.234m
Cross Service Efficiency	£2.745m	£0.785m	£1.445m	£4.975m
Total Savings	£6.704m	£1.334m	£2.638m	£10.676m

Efficiencies from Hybrid Work

Saving Value: £0.627m

Being more Efficient

2024 - 25

2025 - 26

2026 - 27

£0.627m

£0.000m

£0.000m

Context

The public have asked us to consider ways to promote remote working. Our staff have told us that they like the hybrid working approach.

What are the risks / mitigations?

There is a current risk of low productivity built into hybrid arrangements that the saving reflects a response to. It is another way of driving productivity.

Saving in Detail **103**

The implementation of hybrid working arrangements for office-based staff has meant that there are considerable efficiencies that can now be derived from the model.

How we would implement this

The value of the saving is derived from a combination of consolidated management arrangements: strengthened absence management; budgets aligned to deferred recruitment; vacancy management and increasing turnover savings.

What are the benefits?

The reduction in staffing costs is a necessary condition of a reduced budget envelope. This mechanism protects jobs and sustains services.

How would the public be affected?

The public will benefit from a more motivated workforce which is working to full capacity in hybrid arrangements as part of a planned operating model.

Impact on Staff

The equivalent of 12.1 FTE but this will be managed through vacancies and deployment.

Deliverability

This will be achieved by reducing service budgets. It is therefore deliverable.

Impacts on Groups / Communities

Screening for impact has highlighted potential positive impacts for rural/island areas through enabling people to live and thereby sustain these areas. Positive impact for individuals with caring responsibilities, providing a flexible working environment.

RF:05

**FTE:
-12.1**

Efficiencies from Procurement

Saving Value: £4.045m

Being more Efficient

2024 - 25

2025 - 26

2026 - 27

£2.603m

£0.349m

£1.093m

Context - The public have asked us to consider ways in which we can derive greater value from contract management. There was support for efficiencies from procurement from the phase 2 engagement.

What are the risks / mitigations?

Lack of engagement from contract managers and/or external economic factors leading to unmanageable inflationary pressures. The former to be managed through culture change.

Saving in Detail 104

Use a number of approaches to bring down the cost of purchasing/procurement across a wide range of Council functions.

How we would implement this

The approaches include direct negotiation with existing suppliers to manage down inflationary pressures; consolidation of product ranges; improved contract management; reduction in off contract spend; and a focus on tighter control of plant and equipment hire.

What are the benefits?

Financial benefits from improved procurement behaviour delivering better value for money.

How would the public be affected?

Community benefit will still be a central consideration and spend with local contractors is still a priority. However, in some cases it may mean a reduction of contracts, and this could have an impact on local suppliers.

**CS:01
DCE:1**

Impact on Staff

Contract managers will be required to work proactively with the Shared Procurement Service to deliver the savings.

Deliverability

Based on on-going work, this saving is deliverable.

**FTE:
0**

Impacts on Groups / Communities

Screening for impact will be undertaken as part of individual contract considerations. Adverse impacts on protected groups are not anticipated. In some cases, there may be a reduction of contracts, and this could impact on local suppliers.

Efficiencies from Social Work Procurement

Saving Value: £0.600m

Being more Efficient

2024 - 25

2025 - 26

2026 - 27

£0.300m

£0.200m

£0.100m

Context – The public feedback we have received is that we need to get better value from contract management. There was support for efficiencies from procurement from the phase 2 engagement.

What are the risks / mitigations?

There are risks that some existing provision is being delivered to highly vulnerable people. Changing this is challenging. Leaving it as it is, is not an option either.

Saving in Detail 105

Following procurement advice on contracts and commissioned services for children, the service is aligning with Shared Services procurement in Aberdeen and Aberdeenshire. The aim is to ensure commissioned services achieve improved outcomes and provide value for money.

How we would implement this

Contracts for a number of historically commissioned services will be reviewed and measured by the success they have had in achieving outcomes, as well as cost benefit. Feedback from 3rd sector partners has been that we need more effective, longer term commissioning processes.

What are the benefits?

There is the possibility of a greater success in achieving more community based, person centred solutions for people. By moving some commissioning funding and giving direct to families.

How would the public be affected?

Services will continue to be delivered, however with improvements in delivery to the public.

Impact on Staff

Should there be a decision, as part of the review, to either in-source or out-source services, staffing implications will be clarified.

Deliverability

The service must accelerate the commissioning of services, so they are brought more into strategic focus to ensure sustainability.

Impacts on Groups / Communities

Screening for impact will be considered for individual services and specific contracts.

CS:20

FTE:
TBD

Efficiencies from Vehicle Parts

Saving Value: £0.190m

Being more Efficient

2024 - 25

2025 - 26

2026 - 27

£0.190m

£0.000m

£0.000m

Context

Public feedback was that we should reduce the number of vehicles that we have. This was a suggestion from staff and elected members.

What are the risks / mitigations?

New RCVs are in use and lower maintenance overhead arising. Close scrutiny of spend on parts ensuring compliance with purchasing framework will also continue.

Saving in Detail 106

Replacement of fleet provides a number of benefits including for staff, the environment, service continuity and finance including lower maintenance overheads. This saving capitalises on lowering overheads.

How we would implement this

The Highland Council's capital programme approved in September 2023 provides some fleet investment through to 28/29. In addition to capital purchase, work has been undertaken considering alternate methods of finance, such as operational leases which are revenue-funded.

What are the benefits?

Reduced costs of the service provision and sustainable fleet solutions.

How would the public be affected?

The saving would help to achieve our Net Zero targets. Redesigning our service delivery is being managed in response to constrained budgets.

Impact on Staff

Some changes to staff behaviours may be required to be managed.

Deliverability

This is based on on-going work by the service.

Impacts on Groups / Communities

Screening for impact has highlighted that there is no impact on groups with protected characteristics and positive impacts on climate impacts including reduction of emissions.

CP:08

FTE: 0

Other Efficiencies

Saving Value: £0.005m

Being more Efficient

2024 - 25

2025 - 26

2026 - 27

£0.005m

£0.000m

£0.000m

Context

Feedback from the public included that we should consider all areas of discretionary spend.

What are the risks / mitigations?

There is a risk that the public does not understand what the implications are of service change.

Saving in Detail 107

Reduce contribution to HITRANS transport partnership by 5%: £0.005m. This has already been agreed with the HiTRANS Board.

How we would implement this

This involves a reduction in the funding provided to HiTRANS, the funding for 2024/25 will be reduced by this amount.

What are the benefits?

There is reduced cost to the council and this contributes to on-going work to protect jobs.

How would the public be affected?

This relates to funding provided to HITRANS for their overall operations. It is not expected to directly impact on project related work or services.

Impact on Staff

No impact as this is an external organisation.

Deliverability

This an achievable saving which can be implemented.

Impacts on Groups / Communities

A screening for impact has highlighted that there is no impact on protected groups and that the overall impact on the organisation should be minimal given the level of reduction.

IEE:17

FTE:

0

Area Discretionary Budgets

Saving Value: £0.234m

Being more Efficient

2024 - 25

2025 - 26

2026 - 27

£0.234m

£0.000m

£0.000m

Context

Feedback from the public included that we should consider all areas of discretionary spend.

What are the risks / mitigations?

This reduces the budget, but in an area that is discretionary spending.

Saving in Detail 108

The Council holds funding which is disbursed at a local level, under two headings: Coastal Communities Funding and Ward Discretionary Budgets.

The saving relates to a top-slice reduction from both budgets, equivalent to 10% across each fund.

How we would implement this

This would be a reduction in both budgets. Existing crown estates funding covered by this saving is approximately £2.000m per annum and ward discretionary budgets are £0.336m. The saving will reduce both by 10%.

What are the benefits?

By taking savings from discretionary budget areas, this assists with protecting other areas of the Council budget.

How would the public be affected?

This will reduce the funding available within local areas to support local projects and outcomes. These however are discretionary funds, and not core budgets for statutory service provision.

CS:32

Impact on Staff

No impact expected given funds are typically disbursed to external community groups or projects.

Deliverability

Achievable, as this will be a reduction in budget which is not as yet committed to projects.

**FTE:
0**

Impacts on Groups / Communities

A screening for impact has been undertaken. This highlights no direct impacts upon staff, individuals or groups as a result of this reduction. Funds will remain available for groups to apply to.

1% Efficiency Target

Saving Value: £3.175m

Being more Efficient

2024 - 25

2025 - 26

2026 - 27

£1.245m

£0.985m

£0.945m

Context - Feedback from the public was that there were various ways as an organisation that we could be more efficient. This proposes that all budgets contribute to the efficiency target.

What are the risks / mitigations?

Savings are in addition to other proposals, with this mitigated by excluding a number of key budget areas as noted in the detail.

Saving in Detail 109

A 1% saving, phased over three financial years, will be applied across Council budgets. This saving will not impact on education budgets related to teacher numbers, nor other budgets where other savings are proposed (Adult Social Care, High life Highland, Coastal Communities Fund and Ward Discretionary Budgets).

How we would implement this

Budgets will be reduced by a share of this saving target and services will manage saving delivery through greater efficiencies including vacancy management and cost controls across their budget headings.

What are the benefits?

It is important that the Council looks across all its areas of activity to deliver budget savings and efficiency.

How would the public be affected?

This saving will impact across a range of service budgets. Implementation will vary by service area and it is expected elements will be managed by in-year vacancy management and cost control.

Impact on Staff

There is a notional 81 FTE impact. We will endeavour to reduce this through vacancy management and redeployment. Where at all possible, compulsory redundancy will be avoided.

Deliverability

The Council has a track record of managing efficiency saving delivery across its areas of activity.

Impacts on Groups / Communities

Services will be required to consider any impacts as part of the identification of efficiencies.

CS:35

FTE:
-81

Efficiencies from DSM

Saving Value: £1.800m

Being more Efficient

2024 - 25

2025 - 26

2026 - 27

£1.500m

-£0.20m

£0.500m

Context

The public have asked us to consider ways to improve efficiency in how we operate.

What are the risks / mitigations?

The scale of the gap does not allow entire budgets to be protected. This proposal protects teacher numbers but targets reductions on other discretionary areas of education spend.

Saving in Detail **110**

Within the locally agreed DSM scheme, Highland schools can carry forward 5% of their budgets. This is greater latitude than in the rest of Scotland, where 2% - 2.5% is the norm. In addition, further efficiencies can be derived in the scheme. The underspend in DSM is in the region of £5m. There are also opportunities to realise savings from digital learning.

How we would implement this

This a simple reduction to the facility to carry forward in the scheme, in line with national approaches. There will also be savings made on core DSM budgets, to reflect a contribution to the wider challenge faced by the council and the level of current underspend by schools.

What are the benefits?

The savings supports the financial position of Highland Council without reducing core teacher numbers. School leaders will be involved in developing savings mechanisms appropriate to their local circumstances.

How would the public be affected?

The public should be unaffected as the reduction is focused on unspent budget and not committed spend. A facility will also be provided to allow for bids to a central funds where specific initiatives require support over and above the carry forward figure.

Impact on Staff

There should be a neutral effect on staff as this money is not currently being used and 50% is being retained in the carry forward

Deliverability

This will be achieved by reducing the DSM budgets and is therefore deliverable.

Impacts on Groups / Communities

A screening for impact has been undertaken. The impact will be low given that this proposal focuses on underspend within the DSM budget.

EL:16

**FTE:
0**

Generating Income



You said!

We should¹² review our opportunities to generate income.

Members of the public suggested a number of developments that would increase our income streams. Some of these were:

Tourism related:

- Introduction of visitor levy
- Charge for motor home waste disposal
- Motorhome charges and parking charges
- Fines for those disposing of motorhome waste outwith designated locations
- Create campervan aires
- Invest in tourism initiatives to be able to charge for
- Council catering vans/offers at key tourist locations
- Develop merchandise to sell in Council venues/tourism hot spots

Car Parking Related

- Introduce low emission zone
- Make car parking charges mandatory in all car parks, not just invitation to pay
- Charge for car parking across the whole area

Energy Related

- Build assets with renewable energy incorporated
- Improve income from windfarm schemes to the Council and to local communities for development and support
- Invest in renewable energy projects to generate revenue

Asset Related

- Sell advertising on Council assets
- Sell land and assets surplus to requirement
- Charge for hiring Council properties/parks/facilities
- Lease unused properties

Commercialise Services

- Commercialising skilled Council services e.g. solicitors, graphic design, employability trainers, trades to private business, other public agencies and other Local Authorities
- Increase planning fees for large scale applications
- Offer premium digital services that are chargeable

Other

- Deliver and charge for out of school and holiday activities
- Larger fines for littering, dog fouling
- Charge for toilets
- Charge for second homes
- Increase Council Tax

Generating More Income from Council Services

- This section shows ways in which we might derive more income from programmes we can take forward which will help us to protect jobs and services which our residents depend on.
- As with all sections in this package, the savings presented have come from the public themselves, our staff and sometimes from elected representatives

Summary of Savings from Income Generation

Income Generation Theme	2024 - 2025	2025 - 2026	2026 - 2027	Total
Income from Fees & Charges	£3.862m	£1.510m	£1.055m	£6.427m
Income from Car Parking	£0.756m	-	-	£0.756m
Income from Tourism	£0.800m	£0.800m	£0.800m	£2.400m
Income from Energy	£1.130m	£1.400m	£3.700m	£6.230m
Total Income Generation	£6.548m	£3.710m	£5.555m	£15.813m

Building Warrant Fees

Income Value: £0.500m

Fees and Charges

2024 - 25

2025 - 26

2026 - 27

£0.500m

£0.000m

£0.000m

Context

The saving was suggested by members of staff.

What are the risks / mitigations?

The risk is that staffing drops below manageable levels. Some fee increases will be retained to strengthen planning and building standards teams as demand changes.

Saving in Detail 115

New Building Warrant fee scales are proposed by Scottish Government and are due by April 2024. Income targets will be increased in light of revised fee scales which are expected to be in place by April 2024.

How we would implement this

It is proposed the additional income is a saving, net of ensuring both planning and building standards staff levels are retained and strengthened where appropriate. Building warrant levels have not increased as much as the volume of planning application numbers, therefore this should not lead to significantly increased work.

What are the benefits?

Work will continue to “grow our own” through the very successful Graduate Apprenticeship programme that has worked well in recent years.

How would the public be affected?

The public would benefit from a strengthened planning and building standards service that can sustain the level of demand for the services and meet statutory expectations.

IEE:01

Impact on Staff

The saving sustains and grows the staff team and ensures a viable service exists.

Deliverability

This is a budget solution that we can implement.

FTE:
+5

Impacts on Groups / Communities

A screening for impact has been completed no adverse impacts on any protected groups identified. Any impact will be on individuals requiring a building warrant, but any impact is likely to be limited.

Commercial Lease Fees

Income Value: £0.250m

Fees and Charges

2024 - 25

2025 - 26

2026 - 27

£0.125m

£0.050m

£0.075m

Context - The suggestion was made by members of staff but feedback from the public indicated that we should be maximising income from our assets.

What are the risks / mitigations?

Rental levels increase to a rate that is not attractive to prospective tenants. This will be mitigated by using market comparables across the Highland area.

Saving in Detail 116

The Council operates a commercial portfolio of industrial and other business units. Lease reviews are undertaken annually, with rental levels increased based on market conditions. This estimated increase is based on lease reviews to be carried out during 2024/25.

How we would implement this

Rental levels reviewed and new lease arrangements entered into.

What are the benefits?

Increased revenues to help sustain services.

How would the public be affected?

There would be minimal impact on the public generally.

IEE:06
&
HP:08

Impact on Staff

N/A

Deliverability

This is budget solution to implement.

FTE:
0

Impacts on Groups / Communities

A screening for impact has been completed. There is not anticipated to be any impact on particular groups, staff or communities from this saving.

Increasing Fees and Charges

Income Value : £4.285m

Fees and Charges

2024 - 25

2025 - 26

2026 - 27

£2.592m

£1.004m

£0.689m

Context

There was considerable support from the public in increasing fees and charges from phase 1 and phase 2 engagement.

What are the risks / mitigations?

There is a risk of lower uptake for discretionary services which are currently paid for from fees being charged.

Saving in Detail 117

To increase all fees and charges that are determined by Highland Council. Non exhaustive indicative examples include, for 24/25, the person-centred services (bereavement services, school meals) rising by 4.6%, the CPI inflation rate (12 month-period ending Oct 23), with the others by CPI + 3% with some exceptions that are detailed as standalone savings. (e.g. property leases) Indicative sums are shown for 25/26 & 26/27, with intention that inflation at end of October of the preceding year will inform annual savings.

How we would implement this

This is a simple uplift to fees and charges currently levied. It will be managed through existing arrangements.

What are the benefits?

The overall positive impact on the budget setting process and the protection of jobs and services.

How would the public be affected?

In recent public engagement, the average increase reported from the Budget Simulator was a 10.4%. Views expressed within the Survey were varied with lower % increases for those services that are "people centred" such as burials and cremations and school meals. CPI was 10.1% for the 12-month period ending March 23, and 7.9% to June 23.

CS:17

Impact on Staff
N/A

Deliverability

This deliverable from a service viewpoint, with a strong evidence base from the public.

FTE:
N/A

Impacts on Groups / Communities

Screening for impact has been completed. This highlights the potential for impact on individuals on lower incomes. Impact is mitigated by lower increases on person centred services and other supports available for those on low incomes e.g. free school meals, financial support with funeral costs.

Other Income Generation

Income Value: £0.671m

Fees and Charges

2024 - 25

2025 - 26

2026 - 27

£0.418m

£0.182m

£0.071m

Context

The saving suggestions were made by members of staff in response to a suggestion from the public about how we can increase income.

What are the risks / mitigations?

These are small scale sources of income, each of which devotes particular teams to small income related projects. But, in totality there is significant value.

Savings in Detail

118

IEE.16 White Lining Team help for other LA's: £0.010m
IEE.11 PDU team to support other bodies: £0.050m
CP.01 Provision of Air Quality Monitoring support: £0.014m
RF.01 Increase Council Tax Collections: £0.260m
RF.03 Improve corporate Debt Management arrangements: £0.180m
HP.05 Delivering Cleaning Services to housing services: £0.054m
PG.02 Primary Partnership Model – Trading Standards: £0.045m
PG.16 Charging for financial guardianship: £0.010m
DC.05 Introduce Community Lottery Fund: £0.040m
IEE.25 Increase bus fares: £0.008m

How would the public be affected?

There are various impacts on the public which relate to specific savings. But these are minor, because of the low values and are in the main enhancements of current activity or small tests of change which could grow over time.

Impact on Staff

This requires staff to devote to income generation across all teams – an attitudinal change.

Deliverability

This is budget solution to implement.

FTE:
0

Impacts on Groups / Communities

A screening for impact has been undertaken. There are no anticipated impacts on any particular groups or communities.

Garden Waste Collections

Income Value: £0.099m

Fees and Charges

2024 - 25

2025 - 26

2026 - 27

£0.032m

£0.040m

£0.027m

Context

The suggestion was made by members of the public and staff.

What are the risks / mitigations?

Increasing permit charges may affect income. Mitigation through modest increase and the Digital Transformation of application process and requirement to apply annually.

119

Saving in Detail

The saving is to increase charges by a relatively modest 2.5% to reflect increase in our costs with customer demand and public suggestions. 23/24 charges were frozen at prior year rate in response to year-on-year increases. Indicative sums shown for 25/26 & 26/27 with intention that inflation at October of the preceding year will inform annual proposals.

What are the benefits?

Increased revenues to help sustain services.

How we would implement this

This is a simple uplift to the charges currently levied. It will be managed through existing arrangements.

How would the public be affected?

Garden Waste Collections are provided as an opt-in chargeable service to householders. Existing service availability would continue.

CP:18

Impact on Staff

N/A

Deliverability

This is a budget solution that can be implemented.

FTE:
N/A

Impacts on Groups / Communities

A screening for impact has been completed. There is no anticipated impact on any particular group or community.

Business Waste Collections

Income Value: £0.422m

Fees and Charges

2024 - 25

2025 - 26

2026 - 27

£0.195m

£0.134m

£0.093m

Context

The saving suggestion was made by members of staff.

What are the risks / mitigations?

We operate in a highly competitive market and price increase introduces the risk of potential customer loss. Hence limited increase for reasons of competitiveness.

Saving in Detail 120

To increase charges to the Highland Council's business waste customers. For 24/25, the charge applied for waste and recycling collections are proposed to rise by inflation as at the 12 month-period ending Oct 23. Indicative sums shown for 25/26 & 26/27 with intention that inflation at October of the preceding year will inform annual savings.

How we would implement this

This is a simple uplift to the charges currently levied. It will be managed through existing arrangements.

What are the benefits?

Increased revenues to help sustain services.

How would the public be affected?

Business Waste Collections are provided in all areas of Highland. A service is provided through a contractual arrangement with individual businesses by request. There is no direct implication for the public.

CP:17

Impact on Staff

N/A

Deliverability

This is deliverable budget solution to implement.

FTE:
N/A

Impacts on Groups / Communities

A screening for impact has been completed. There is not anticipated to be any negative impact on particular groups or communities from this proposal.

Infrastructure Support Service

Income Value: £0.200m

Fees and Charges

2024 - 25

2025 - 26

2026 - 27

£0.000m

£0.100m

£0.100m

Context

This is a saving suggestion developed by staff in response to feedback from industry partners.

What are the risks / mitigations?

There is a risk that we will not be successful in gaining external work or that procurement rules prevent us. Appropriate due diligence and a commercial approach will be taken.

Saving in Detail 121

Develop an end-to-end infrastructure and property support services model to offer services and generate income from external parties including other local authorities. This makes best use of the skills and capacity of Council staff, in the context of a reducing capital programme

How we would implement this

We will set up a co-ordinated team responsible for all civil engineering, property design, contract management and programme management requirements, based on a commercial model we can use to market to other local authorities and the private sector.

What are the benefits?

This will make best use of the many skills we hold within the Council related to infrastructure and property, ensuring a co-ordinated approach to all projects.

How would the public be affected?

There will be little public impact, although a more co-ordinated approach will allow best value to be achieved in delivering large scale capital projects.

CS:03

Impact on Staff

No reduction in staff however a restructure may be required to ensure effective delivery.

FTE:

0

Deliverability

This is a deliverable budget solution and will require a business case.

Impacts on Groups / Communities

A screening for impact has been started and will be progressed as the model is developed. There are no negative impacts on groups or communities anticipated.

Increased Car Parking Charge

Income Value: £0.608m

Car Parking

2024 - 25

2025 - 26

2026 - 27

£0.608m

£0.000m

£0.000m

Context - This suggestion to increase charges was made by members of the public and has been developed by staff. There was support increasing income from car parking from the phase 2 engagement.

What are the risks / mitigations?

The risks relate to existing risks that pertain to invitational schemes. These are already being managed through signage, public communication, etc.

Saving in Detail 122

This proposal is to seek an increase in the minimum parking charges across all of the Council's car parks to £3. The current minimum is £2. This will assist with parking management and generate further income.

How we would implement this

All machines will have a minimum charge of £3 from April 2024.

What are the benefits?

The increased income to the Council and ability to sustain services.

How would the public be affected?

Increased charges for invitation to pay parking schemes.

IEE:21

Impact on Staff

N/A

Deliverability

This is budget solution to implement.

FTE:
0

Impacts on Groups / Communities

A screening for impact has been completed. Anticipated impact is low. Blue Badge holders have free parking in almost all Council car parks and a range of permits and season passes are in place for regular users.

Roll Out Pavement Parking

Income Value: £0.148m

Car Parking

2024 - 25

2025 - 26

2026 - 27

£0.148m

£0.000m

£0.000m

Context - The public has noted that we should enforce the no pavement parking law. The Council regularly receives complaints about parking on pavements.

What are the risks / mitigations?

There is a risk of non-compliance that will be managed through existing enforcement arrangements.

Saving in Detail 123

In line with new powers available to the Council, the saving is to roll out the imposition of fines for pavement parking so that further incomes can be received.

How we would implement this

This would be added on to existing parking arrangements.

What are the benefits?

The increased income to the Council and ability to sustain services. Improved pedestrian access, and improved driver behaviour.

How would the public be affected?

There would be greater restrictions in terms of motorist behaviour in parking areas. This would improve access for pedestrians and particularly wheelchair users and those using prams/buggies.

Impact on Staff

3 new enforcement officers will be recruited.

Deliverability

This is budget solution to implement.

Impacts on Groups / Communities

A screening for impact has been completed. Anticipated impacts are likely to be positive, particularly for disabled residents and families with small children in prams and pushchairs.

IEE:12

FTE:
+3

Campervans and Motorhomes charging

Income Value: £1.500m

Tourism

2024 - 25

2025 - 26

2026 - 27

£0.500m

£0.500m

£0.500m

Context - The most common suggestion made by the public was that we find a way to charge those who use motorhomes and campervans. Increasing income from tourism was supported during the phase 2 engagement.

What are the risks / mitigations?

Mitigation for low uptake for the scheme will come from comms plans and work through national and local partners to publicise the scheme.

Saving in Detail 124

Develop a voluntary passport scheme charge so tourists can contribute to the maintenance of roads and other amenities – and create funds to enhance existing campsite service provision and provide more council-owned sites.

How we would implement this

Research estimates 200,000 motor-homes are seen annually in the Highlands. A voluntary scheme at £40 per annum could generate over £1m as a token of tourists' support for the Highlands. It is anticipated the passport could be a bumper sticker. Review existing charging policies including overnight parking.

What are the benefits?

For motorhome tourists, participation is a signal of support for the Highlands and intent to contribute to the costs of its service delivery. For Highland Council, it takes pressure off the financial position.

How would the public be affected?

The public would be asked to support the publicising of the scheme. Highland residents who use campervans / motorhomes for tourism would be exempt from the scheme.

CS:18

Impact on Staff

A small staff team will be created to operate the scheme, funded from reserves, until such time as the scheme pays for itself.

Deliverability

This is a budget solution to implement from a service viewpoint, with a strong evidence base from the public.

FTE:
TBD
+ive

Impacts on Groups / Communities

Screening for impact has been completed and impacts are anticipated to be positive. The scheme will enable greater funds to be available to manage the negative impacts of tourism on communities and in particular rural and island communities.

Unique Tourist Visitor Experiences

Income Value : £0.900m

Tourism

2024 - 25

2025 - 26

2026 - 27

£0.300m

£0.300m

£0.300m

Context - Members of the public have asked that we consider ways to invest in tourism, so that we can find ways to generate income from it. Increasing income from Tourism was supported during the phase 2 engagement.

What are the risks / mitigations?
The success of the Storr development was built on local community developments.

Saving in Detail 125
Based on The Storr development, we will create a number of unique visitor experiences across the Highland area, so as to enable more effective access to tourist sites, with amenity, parking and retail outlets built around the unique characteristics of the site.

How we would implement this
This saving requires significant capital investment from reserves and match funding from local area committee budgets and other sources. There will be an element of profit sharing with local area committees which agree to part fund developments, which will in turn provide on-going benefit to communities.

What are the benefits?
As well as revenue benefits, developments are likely to create local jobs each with The Storr development for example providing 5 new jobs.

How would the public be affected?
The public will benefit from easier access to iconic sites of considerable tourist, heritage, cultural or scenic interest. Greater levels of public amenity at these critical locations will take the pressure off other services.

Impact on Staff
A small staff team will be created to operate the scheme, funded from reserves, until such time as the scheme pays for itself.

Deliverability
There are strong savings here which are based on a solid foundation of the method applied to the Storr.

Impacts on Groups / Communities
A screening for impact has been completed. This highlighted potential positive impacts on the local economies of areas in which sites are established. Further consideration of impacts will be required for individual sites developed.

CS:19

FTE:
TBD
+ive

EV Charging

Income Value: £0.200m

Fees and Charges

2024 - 25

2025 - 26

2026 - 27

£0.000m

£0.100m

£0.100m

Context - Previously agreed by the Council, the public and staff told us that we could be generating income from EV charging points. Increasing income from energy was supported during the second phase engagement.

What are the risks / mitigations?

Supplier engagement has shown a lot of interest in partnering with the councils involved.

Saving in Detail 126

Development of an Electric Vehicle (EV) charger network for public use and for council vehicles across Moray, Aberdeen and Aberdeenshire councils, earning shared revenue. This includes parts of the Highlands not currently served by commercial charging.

How we would implement this

A procurement exercise is currently underway, due to be awarded in the summer of 2024. The EV network will be expanded thereafter, with an income stream being delivered from year 2 and increasing over the following year.

What are the benefits?

This supports the move away from petrol and diesel vehicles, improving access and reliability for EVs and helping to reduce the Council's and Highland's carbon footprint, whilst also generating income.

How would the public be affected?

The public would be required to pay for charging electric vehicles at Council owned charging points. The public would benefit from improved reliability and an expanded EV network across the north of Scotland and especially in rural areas.

CS:12

Impact on Staff

There is no negative impact on staff numbers. Staff will benefit from more energy efficient solutions for heavy and light fleet operations.

Deliverability

External grant funding to support the network has been confirmed and the private sector is keen to partner with us.

FTE: +1

Impacts on Groups / Communities

A screening for impact has been completed. Whilst there would be costs associated with any increase in charging, impact is anticipated to be low. Positive impact for rural areas with better coverage.

Battery Storage

Income Value: £0.430m

Energy

2024 - 25

2025 - 26

2026 - 27

£0.030m

£0.200m

£0.200m

Context - Previously agreed by Council, this was proposed by staff teams and agreed by elected members. Increasing income from energy was supported during the second phase engagement.

What are the risks / mitigations?

Dependent on developer interest at procurement, a site can be operational within 12 months from signed agreement. The procurement process will address risks.

Saving in Detail 127

The saving is to establish a 100 megawatt battery storage facility in an appropriate location, taking power off the grid and then selling it back at a higher price.

How we would implement this

Estimated income is £200k rental as it would be operated by a private developer plus potential of an equity % of profits. To fully develop the saving the grid connection and generation quote is required to fully develop the business case to take to tender.

What are the benefits?

The council can accelerate its net zero plans and can support green energy growth. If successful, Highland Council could seek to replicate this model in other areas later.

How would the public be affected?

There is a need for public reassurance in relation to battery storage as technology continually improves and risk management is critical to this.

Impact on Staff

The Renewables team will manage the process.

Deliverability

While there are challenges in this saving, it is necessary to develop battery storage locally for the future.

Impacts on Groups / Communities

An integrated impact assessment screening has begun and will be updated as part of the consultation on any development, as part of the planning process.

CS:11

FTE:
0

Maximise and Expand Solar PV

Income Value: £2.500m

Energy

2024 - 25

2025 - 26

2026 - 27

£1.100m

£0.900m

£0.500m

Context - Previously agreed by council, this was proposed by members of the public, staff teams and agreed by elected members. Increasing income from energy was supported during the phase 2 engagement

What are the risks / mitigations?

There are risks that there are buildings that we have plans to close which are attractive for PV development. The panels can be relocated if/when required.

Saving in Detail 128

To maximise and enhance existing and expand the use of Solar PV (Photovoltaics, or the generation of energy using the energy of the sun) in our council non-domestic estate, to enable more effective and efficient green energy.

How we would implement this

A number of existing locations with Solar PV require reactivation and enhancement. We will also be expanding to new locations. We will take a site-by-site approach, assessing the viability of options. Then we will prioritise projects, design and install solutions. This is funded through external grant.

What are the benefits?

The assumption is that we can reach 60% of a megawatt of energy generation in year one and the one megawatt every year for the next five years. This will also help us to achieve our net zero targets.

How would the public be affected?

To the extent to which the public need access to certain buildings which we operate, they would benefit from more energy efficient solutions when they attended them.

CS:13

Impact on Staff

Staff will benefit from more energy efficient solutions at their workplace.

Deliverability

This is a clear priority of the Council and required for the future.

FTE:
TBD
+ive

Impacts on Groups / Communities

Screening for impacts will be undertaken as part of the roll out of this programme. However, adverse impacts on individuals or groups are not anticipated.

Solar Panels – Commercial Estate

Income Value: £0.500m

Energy

2024 - 25

2025 - 26

2026 - 27

£0.000m

£0.200m

£0.300m

Context - Previously agreed by Council, this was proposed by staff teams. The public have told us we should maximise renewable energy opportunities. Increasing income from energy was supported during the phase 2 engagement

What are the risks / mitigations?

There are some risks relating to planning processes and necessary approvals / permissions required to bring forward the development.

Saving in Detail 129

For our own Highland Council-owned commercial estate and for those who lease land from us for industrial purposes, there are opportunities to provide alternative energy solutions through solar panels.

How we would implement this

We would deliver this through a commercial partnership. Once appointed, sites, designs and build solutions would be prioritised to ensure that tenants have access to solar panels to provide them with an energy source which is cheaper and reduces their carbon impact. There would be a income sharing arrangement.

What are the benefits?

We have calculated the approximate area of viable roof space followed by initial assessment of revenue return based on £500k per megawatt of power generated.

How would the public be affected?

There would be minimal impact on the public.

Impact on Staff

This will be managed through our renewables team.

Deliverability

This is a clear priority of the Council and required for the future.

Impacts on Groups / Communities

Screening for impacts will be undertaken as part of the roll out of this programme, however adverse impacts on particular groups or communities are not anticipated.

CS:16

FTE:
0

Commercial Scale Solar PV

Income Value: £2.600m

Energy

2024 - 25

2025 - 26

2026 - 27

£0.000m

£0.000m

£2.600m

Context - Previously agreed by Council, this was proposed by staff teams. The public told us we should maximise renewable energy opportunities. Increasing income from energy was supported during the phase 2 engagement

What are the risks / mitigations?

There are a number of planning processes and committee approvals required to bring forward this development. There are also a number of dependencies on funding.

Saving in Detail 130

Commercial scale solar energy generation to sell back to the grid through the development of sites across the Council area, commencing with a Joint Venture with Inverness Common Good to develop a site in Inverness.

How we would implement this

Following planning approval, design, Engineering, financing and procurement typically 6- 9 months, construction phase 10-12 months with 3 months testing and commissioning. Capital funding of £11.5m required; to be derived from borrowing, external grants, as well as building on the partnership with the Green Free Port.

What are the benefits?

This proposal would create job opportunities across construction, maintenance and administrative sectors while providing a steady revenue stream, stimulating local economic growth.

How would the public be affected?

The public could benefit from access to cheaper and more efficient sources of energy and more local contingency for energy security.

Impact on Staff

Project and Programme management resource will be needed. Staff are otherwise not impacted.

Deliverability

This is a clear priority of the Council and required for the future.

Impacts on Groups / Communities

Screening for impacts will be undertaken as part of the roll out of this programme. However, adverse impacts are not anticipated.

CS:15

FTE:
0

Earmarked Balances

Earmarked Balance in Accounts Note	Description	Service	2023/24 Opening Balance £	2023/24 Earmarking to Date £	2023/24 Transfers to Date £	2023/24 Drawdowns to Date £	Forecast Amount of further draw-downs by End of 2023/24 £	Estimated Net Movements in 23/24 £	New Earmarking in 2024/25 Revenue Budget Report £	Projected Earmarked Total for Budget Report £
Badaguish Outdoor Centre	Badaguish Outdoor Centre	E&L	459,692					0		459,692
Change Fund	Change Fund - General	Transformation	1,296,022				-1,296,022	-1,296,022		0
Change Fund	HR/Payroll System	R&F	1,763,823				-881,912	-881,912		881,911
Change Fund	gov.uk e-mail addresses	R&F	80,000				-40,000	-40,000		40,000
Change Fund	PPP Handback	R&F	150,000				-75,000	-75,000		75,000
Change Fund	HLH Review	E&L	100,000				-50,000	-50,000		50,000
Covid-19	Welfare - Additional Free School Meals Easter (R-19)	Welfare	83,722				0	0		83,722
Covid-19	Welfare - Spring Hardship £100 payments - Admin (R-44b)	Welfare	13,000				0	0		13,000
Covid-19	Welfare - Flexible Fund to Support People Impacted by Restrictions (R-31)	C&P	211,587				0	0		211,587
Covid-19	LACER - Environmental Health & Trading Standards (R-81)	C&P	105,206				-105,206	-105,206		0
Covid-19	LACER - Support for Low Income Families - Cost of Living Support (R-81)	Welfare	71,870				0	0		71,870
Covid-19	LACER - Support for Low Income Families - Families Experiencing Distress and Trauma (R-81)	Welfare	74,358				-10,000	-10,000		64,358
Covid-19	Other Covid19 - Environmental Health Officers (R-22)	C&P	4,079				0	0		4,079
Covid-19	Other Covid19 - CO2 Monitors	P&H	140,000				-140,000	-140,000		0
Covid-19	Other Covid19 - Ward Discretionary Funds (Covid-19)	C&P	155,770			-155,770	0	-155,770		0
Developers' Contributions	Developers' Contributions	Corporate	8,848,952			-391,715		-391,715		8,457,237
Devolved School Management	DSM Balances	E&L	2,229,966					0		2,229,966
Devolved School Management	DSM Balances - General Reserve	E&L	217,122					0		217,122
Devolved School Management	DSM Balances - Counselling in Schools	E&L	703,766			-703,766		-703,766		0
Education Transitional Funding	Education Transitional Funding	E&L	1,705,588					0		1,705,588
Elections	Elections	P&G	330,257	85,000				85,000		415,257
Grant & Match Funding	Learning & Teaching (1+2 Languages)	E&L	99,200					0		99,200
Grant & Match Funding	New Concerto Property Database System - Module Development Work	P&H	209,857				-45,000	-45,000		164,857
Grant & Match Funding	RRTP Homelessness	P&H	287,000					0		287,000
Grant & Match Funding	Whole Family Wellbeing	HW&SC	1,420,000					0		1,420,000
Grant & Match Funding	National Trauma Training	HW&SC	25,631					0		25,631
Grant & Match Funding	Mental Health Officers	HW&SC	139,000					0		139,000

Earmarked Balances

Earmarked Balance in Accounts Note	Description	Service	2023/24 Opening Balance £	2023/24 Earmarking to Date £	2023/24 Transfers to Date £	2023/24 Drawdowns to Date £	Forecast Amount of further draw-downs by End of 2023/24 £	Estimated Net Movements in 23/24 £	New Earmarking in 2024/25 Revenue Budget Report £	Projected Earmarked Total for Budget Report £
Grant & Match Funding	Period Poverty	C&P	109,000			-109,000	0	-109,000		0
Grant & Match Funding	FWES Employability	I&E&E	786,993					0		786,993
Grant & Match Funding	Regional Economic Partnership Fund (Western Isles)	I&E&E	107,000					0		107,000
Grant & Match Funding	Ukrainian Resettlement Fund	E&L	914,799					0		914,799
Grant & Match Funding	Local Heat & Energy Efficiency Strategies	P&G	82,939					0		82,939
Green Freeport	Green Freeport	I&E&E	300,000					0		300,000
Highlife Highland	Highlife Highland	E&L	792,000				-792,000	-792,000		0
IT Investment Fund	IT Investment Fund	Transformation	1,248,505					0		1,248,505
Local Car Parking Income	Car Parking Income - Caithness	I&E&E	10,066					0		10,066
Local Car Parking Income	Car Parking Income - Inverness	I&E&E	5,820					0		5,820
Local Car Parking Income	Car Parking Income - Lochaber	I&E&E	7,566					0		7,566
Local Car Parking Income	Car Parking Income - Skye	I&E&E	196,150			-60,000		-60,000		136,150
Local Car Parking Income	Car Parking Income - Sutherland	I&E&E	8,663					0		8,663
Local Car Parking Income	Car Parking Income - Wester Ross	I&E&E	19,256					0		19,256
NHS Highland - Covid Response Fund & Investment Fund	NHS Highland - Covid Response Fund & Investment Fund	HW&SC	10,795,406				-10,795,406	-10,795,406		0
Phase 1 Investment Fund	Economic Prosperity Fund (£6m original, reduced by £0.933m HC 02/03/23)	I&E&E/E&L	2,952,543					0		2,952,543
Phase 1 Investment Fund	Levelling-up Funding (£0.125m)	I&E&E	125,000					0		125,000
Phase 1 Investment Fund	Place-Based Investment (£2.1m)	C&P	599,932			-599,932	0	-599,932		0
Phase 1 Investment Fund	Visitor Management Strategy (Phase 1) (£1.5m)	C&P/I&E&E	318,759		-318,759			-318,759		0
Phase 1 Investment Fund	Ward Discretionary Funds (Phase 1 Investment) (£0.210m)	C&P	16,500			-16,500	0	-16,500		0
Phase 2 Investment Fund	Corran Ferry (£1.6m)	I&E&E	1,100,115				-1,100,115	-1,100,115		0
Phase 2 Investment Fund	Environment/Climate Change - Renewables (£0.1m)	P&G	100,000					0		100,000
Phase 2 Investment Fund	Supporting Safe & Effective working (ICT) (£0.8m original, reduced by £0.2m HC 02/03/23)	P&H	33,933					0		33,933

Earmarked Balances

Earmarked Balance in Accounts Note	Description	Service	2023/24 Opening Balance £	2023/24 Earmarking to Date £	2023/24 Transfers to Date £	2023/24 Drawdowns to Date £	Forecast Amount of further draw-downs by End of 2023/24 £	Estimated Net Movements in 23/24 £	New Earmarking in 2024/25 Revenue Budget Report £	Projected Earmarked Total for Budget Report £
Phase 3 Investment Fund	Green Energy Hub (£2.8m original, reduced by £2,019,872 HC 02/03/23)	C&P	699,040				-261,000	-261,000		438,040
Phase 3 Investment Fund	Visitor Management Strategy (Phase 3) (£1.5m original, reduced by £194,900 HC 02/03/23)	C&P/I&E&E	310,291		318,759	-109,456	-104,000	105,303		415,594
Phase 3 Investment Fund	Community Loans Fund (£1m original, reduced by £0.5m HC 02/03/23)	I&E&E	500,000				-500,000	-500,000		0
Phase 4 Investment Fund	Roads - Maintenance (£2.5m original, reduced by £1m HC 02/03/23)	I&E&E	1,543,610					0		1,543,610
Phase 4 Investment Fund	Climate Action, Green Energy and Jobs (£2m)	Corporate	1,028,993					0		1,028,993
Phase 4 Investment Fund	Families First (£1m)	HW&SC	965,421					0		965,421
Phase 4 Investment Fund	Innovation in Education (£1m)	E&L	510,271					0		510,271
Phase 4 Investment Fund	Rural Transport (£0.5m)	I&E&E	88,389					0		88,389
Property (Health & Safety Issues etc)	Property (Health & Safety Works) (HC 04/03/21 one-off budget uplift)	P&H	1,710,480				-1,400,000	-1,400,000		310,480
Recycling Improvement Fund	Recycling Improvement Fund	C&P	273,000				0	0		273,000
Salix Recycling Fund	SALIX Recycling Fund	P&G	1,553,851	555,000				555,000		2,108,851
Salix Recycling Fund	SALIX Recycling Fund - Management Fees	P&G	106,238					0		106,238
Scottish Crown Estate	Scottish Crown Estate	I&E&E	7,394,692	2,893,476				2,893,476		10,288,168
Staffing Conditions & Development Fund	Website & Service Centre Enhancement	C&P	26,255					0		26,255
Staffing Conditions & Development Fund	Office Reviews	P&H	784,576				-50,000	-50,000		734,576
Staffing Conditions & Development Fund	Business Change & Improvement (Transformation Fund Reserve)	Corporate	1,012,858					0		1,012,858
Staffing Conditions & Development Fund	Consolidation of Living Wage	Corporate	342,481					0		342,481
Staffing Conditions & Development Fund	Legal Underspend	P&G	60,000					0		60,000
Staffing Conditions & Development Fund	Flexible Working/NWOW (HC 04/03/21 one-off budget uplift)	P&H	425,220				-200,000	-200,000		225,220
Walks to Water	Walks to Water / World Heritage Site	I&E&E	75,544			-24,816		-24,816		50,728
Welfare Issues	Match funding for ESF Poverty & Social Inclusion	C&P	128,169				0	0		128,169
Welfare Issues	Administration of Pandemic Entitlements	R&F	165,000				0	0		165,000
Welfare Issues	Cost of Living Support	Welfare	48,338				0	0		48,338
2024/25 Budget - Savings & Transformation	Children's Services - Family First Redesign	HW&SC	0					0	2,000,000	2,000,000
2024/25 Budget - Savings & Transformation	Adult Social Care - redesign	HW&SC	0					0	20,000,000	20,000,000
2024/25 Budget - Savings & Transformation	Education Innovation	E&L	0					0	500,000	500,000
2024/25 Budget - Savings & Transformation	Digital Innovation	Corporate	0					0	500,000	500,000
2024/25 Budget - Savings & Transformation	Cleaning Service - modernisation	P&H	0					0	150,000	150,000
2024/25 Budget - Savings & Transformation	Assets - demonstrator projects	P&H	0					0	3,000,000	3,000,000
2024/25 Budget - Savings & Transformation	Assets - network of facilities	P&H	0					0	1,000,000	1,000,000
2024/25 Budget - Savings & Transformation	Assets - Terra Tracker	P&G	0					0	TBC	TBC

Earmarked Balances

ANNEX 6

Earmarked Balance in Accounts Note	Description	Service	2023/24 Opening Balance £	2023/24 Earmarking to Date £	2023/24 Transfers to Date £	2023/24 Drawdowns to Date £	Forecast Amount of further draw-downs by End of 2023/24 £	Estimated Net Movements in 23/24 £	New Earmarking in 2024/25 Revenue Budget Report £	Projected Earmarked Total for Budget Report £
2024/25 Budget - Savings & Transformation	Assets - Office and depot rationalisation	P&H	0					0	500,000	500,000
2024/25 Budget - Savings & Transformation	SWAN contract ICT investment	DCE	0					0	2,400,000	2,400,000
2024/25 Budget - Savings & Transformation	Tourism Income - Motorhomes	C&P	0					0	750,000	750,000
2024/25 Budget - Savings & Transformation	Tourism Income - Unique tourist visitor experiences	C&P	0					0	1,500,000	1,500,000
2024/25 Revenue Budget - Pressures	High Life Highland projected deficit 24/25	E&L	0					0	2,764,000	2,764,000
2024/25 Revenue Budget - Pressures	High Life Highland projected deficit 25/26	E&L	0					0	894,000	894,000
2024/25 Revenue Budget - Pressures	Property maintenance	P&H	0					0	6,000,000	6,000,000
2024/25 Revenue Budget - Pressures	Waste and recycling - POPS	C&P	0					0	1,500,000	1,500,000
2024/25 Revenue Budget - Pressures	People and Finance Systems Programme	R&F	0					0	750,000	750,000
2024/25 Revenue Budget - Pressures	Insurance Fund top-up	R&F	0					0	2,000,000	2,000,000
2024/25 Revenue Budget - Pressures	Interest and Treasury Management fund	R&F	0					0	3,000,000	3,000,000
2024/25 Revenue Budget - Pressures	Gaelic language translation year 1 funding	P&G	0					0	52,000	52,000
2024/25 Revenue Budget - Investment	Community Led Capacity Building	C&P	0					0	1,200,000	1,200,000
2024/25 Revenue Budget - Investment	Highland Investment Fund	Corporate	0					0	17,491,000	17,491,000
TOTAL			61,309,130	3,533,476	0	-2,170,955	-17,845,661	-16,483,140	67,951,000	112,776,990

Proposed Council Tax Charges 2024/25 & Indicative Council Tax Charges 2025/26 and 2026/27

Proposed/Indicative Change			0%		5%		5%	
Band	Multiplier Factor	2023/24 Council Tax £	2024/25 Proposed Change £	2024/25 Proposed Council Tax £	2025/26 Indicative Change £	2025/26 Indicative Council Tax £	2026/27 Indicative Change £	2026/27 Indicative Council Tax £
DBR	5/9	792.88	0.00	792.88	39.65	832.53	41.63	874.16
A	6/9	951.46	0.00	951.46	47.57	999.03	49.96	1,048.99
B	7/9	1,110.04	0.00	1,110.04	55.50	1,165.54	58.28	1,223.82
C	8/9	1,268.61	0.00	1,268.61	63.43	1,332.04	66.61	1,398.65
D	9/9	1,427.19	0.00	1,427.19	71.36	1,498.55	74.93	1,573.48
E	473/360	1,875.17	0.00	1,875.17	93.76	1,968.93	98.45	2,067.38
F	585/360	2,319.18	0.00	2,319.18	115.96	2,435.14	121.77	2,556.91
G	705/360	2,794.91	0.00	2,794.91	139.75	2,934.66	146.74	3,081.40
H	882/360	3,496.62	0.00	3,496.62	174.83	3,671.45	183.58	3,855.03

Budget Summary

Annex 8

	Firm 2024/25 £m	Indicative 2025/26 £m	Indicative 2026/27 £m
Base Budget (previous year budget less pressures met from reserves on one-off basis)	749.625	763.376	774.027
Base Budget Adjustments	6.700	-1.659	0.211
Pay and Pensions	10.775	13.584	11.718
Budget Pressures - Met from Provision	15.095	12.000	10.000
Budget Pressures - Met from Scottish Government Funding Additions	12.260	0.000	0.000
Budget Pressures - Met from Reserves on One-off Basis	12.066	2.894	2.000
Loans Charges Increase - Core	1.500	1.500	1.500
Financial Flexibilities (excluding council tax on 2nd Homes & LTEs - included in Funding below)	-6.500	-1.300	-11.200
Savings	-26.079	-13.474	-15.081
Final Budget	<u>775.442</u>	<u>776.921</u>	<u>773.175</u>
Funding :			
Revenue Grant Funding	602.499	601.734	601.734
Council Tax (including Financial Flexibility on 2nd Homes & LTEs)	150.950	159.371	168.312
Use of Reserves for Specific Budget Items	12.066	2.894	2.000
Use of Reserves to Close Budget Gap	9.927	12.922	1.129
Total Funding	<u>775.442</u>	<u>776.921</u>	<u>773.175</u>