

Budget Consultation Co-chomhairle Buidseit

Message from Council Budget Leader Councillor David Alston



Starting the conversation

Like every other Council in Scotland, we face the challenge of protecting the services we deliver for the people of the Highlands – services which include education, housing, support for frail older people, roads, transport, waste collection and economic development. We are also committed to the culture, natural landscape, sense of community and spirit of inventiveness and enterprise which make the Highlands both an attractive place to live and a viable economic region, capable of supporting its people and welcoming new residents.

Like every other Council, and like the rest of the public sector, we must now work together to deliver these services with fewer resources. The coming cutbacks in funding are a direct consequence of the near catastrophic failure of major banks and their rescue by British taxpayers, a rescue which has required public borrowing on a scale never seen before. Even once the economy recovers from recession, this money will need to be paid back – so the ‘squeeze’ on public sector expenditure beginning in 2010/11 may well last for ten years or more.

Having your say

When we surveyed the public in 2009 we were told that people wanted more of a say in how the Council spends its money. We are asking for views on budget savings ideas, with key budget questions on:

- how we can use our community facilities differently;
- how we can run services differently;
- how individuals and communities can take more responsibility for doing things; and
- how we can keep our staff and borrowing costs down.

These will challenge the way we do things now. We will look at how we can cope with reductions in some services and review charges and entitlements. We are consulting widely until the end of June 2010 on budget savings ideas. We are asking views through our new Citizens' Panel of 2,000 people, discussing this in several ward forums and in an Inverness city ward forum and in meetings arranged with other partners, staff and Trade Unions. Members of the public and community councils and groups can tell us what they think by taking part in the discussion forum on our website at:

www.highland.gov.uk/budgetquestions

What next

After the summer we will have firmer budget proposals developed and we will consult again. We will also assess any proposals for impact on different groups within our community e.g. in terms of age, gender, disability or ethnicity. This will help us to make budget decisions sensitively. We will also consider what the impact of any proposals might be on other public sector bodies and on local economies, especially those most fragile. We want to make decisions about these savings in the autumn of this year, 2010.

Total savings to be
made over 3 years =



£59m

Savings already
agreed =



£23m

Savings still to be found
(the budget gap)=



£36m

Our best estimate is that in three years time, we will have 12% less to spend in real terms.

This estimate is based on reduced levels of grant funding, and an assumption that council tax continues to be frozen at current levels. Council tax currently funds approximately 18% of the budget. If council tax were to rise, then this could reduce the budget gap.

This means that we must find savings of about £59m over the three years – of which we have already agreed savings of around £23m. This leaves us with a target of £36m to save in 2011/12 and 2012/13.

This can be achieved only if we employ less staff, use fewer buildings, maintain a smaller fleet and purchase fewer services and supplies. We need to look at providing services differently, doing less and stopping doing some things.

There is more detail about how the Council spends its money at the back of this document.

Services fit for the future

While the scale of the financial challenge is greater than anything we have experienced previously we have already taken steps to plan ahead for the reductions in budget that will be necessary, and these are described in the following section.

The next few years also provide us with the opportunity to re-focus our activities and re-shape the services we deliver, to ensure we are as efficient and effective as possible.

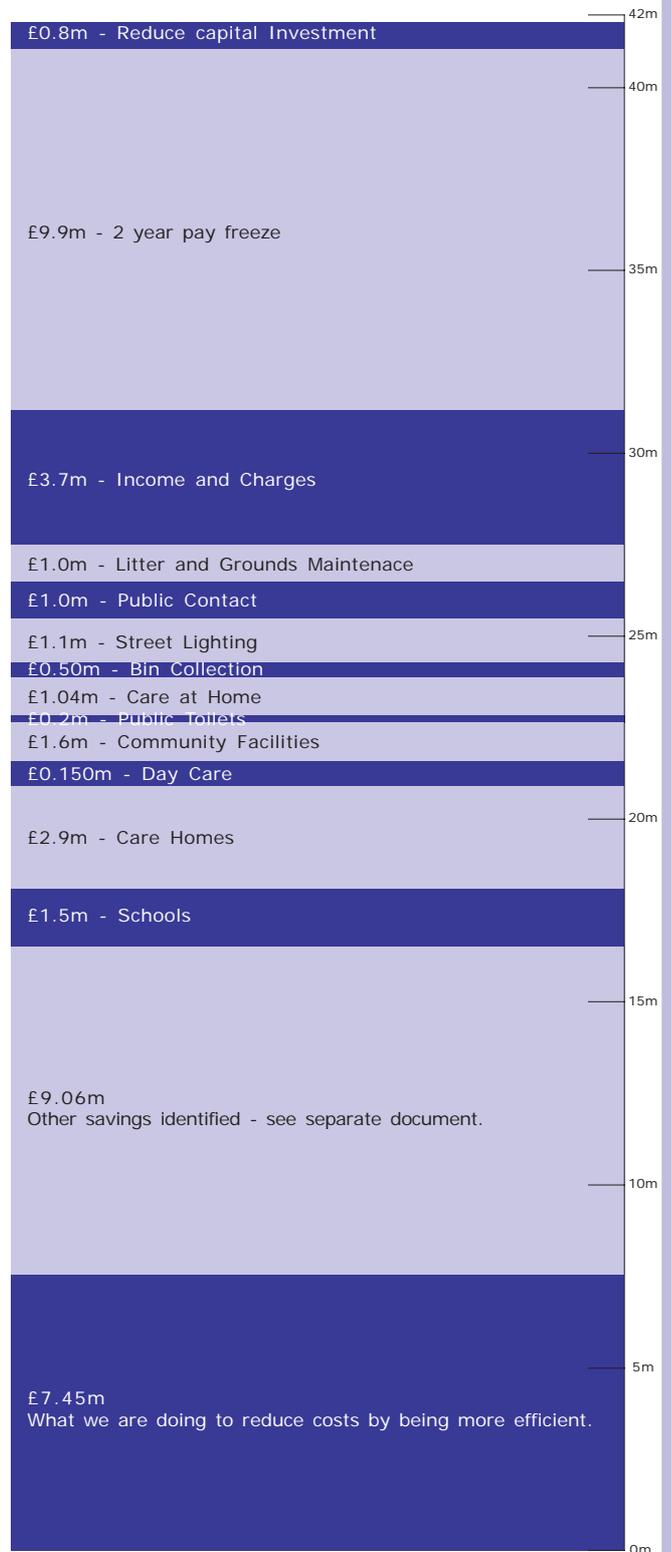
The services designed now need to be fit for the future and the decisions about where to cut back are not simple. Public expectations about the level and type of public services may well have to change.

What have we done already?

We have planned ahead to ensure we take early action to address the financial circumstances. Already we have agreed savings totalling £23m covering the years 2010/11 to 2012/13. Within these savings, a package totalling 5%/6%/6% over the next 3 years has been agreed for Planning & Development, Housing & Property, Chief Executive's and Finance Services. So, over the 3 years, these Services will have savings of 17% taken from their budget. These early decisions, many of which will not impact on frontline services, have helped reduce the scale of challenge we face.

We have also taken steps to improve efficiency and deliver best value services to our communities. Over the 4 years up to and including 2008/09, we have delivered £26m of efficiency savings, well in excess of Government targets. We have in place a number of reviews, which aim to deliver even more efficiencies in the future, to deliver services at lower cost and protect services.

The savings ideas we are consulting on add up to **£41.9m** against the need to find **£36m**.



Being More Efficient	Indicative Further Savings £m
Trying to limit growth and pressures in the budget. We have set aside £12m in each of the next two years, recognising that prices for the goods and services we use may increase, demands for services may increase, there may be new service areas and new legislation to comply with. If we can reduce growth and pressures we will need to find fewer savings.	Not yet known
Improving how we buy goods and services and improving the price we pay for these e.g. the new ICT contract for the Council's computing and information systems will provide £6.76m of savings over the next 5 years which is part of the £23m of savings already agreed. A further £1.5m of savings in buying goods and services is assumed for the next 2 years.	£1.500m
Managing our assets better by running our buildings at lower cost, using less energy and selling surplus property will save a further £0.6m. We have already avoided £1.4m of costs in energy bills from 2006 to 2009. Having reduced our energy use by 14% since 2006, we now have to plan to reduce it even further - by 42% by 2020.	£0.600m
Reducing administration and bureaucracy and making better use of technology to become more efficient in business support, back office functions and working arrangements.	£3.300m
Working with managers and stakeholders, we will identify improvements and reduce costs in the way we run facilities.	To be confirmed
Reducing transport costs, staff and member travel, use of vehicles and plant, while improving transport provision and route planning.	£1.000m
There are 80 elected members serving 22 multi-member wards in the region. The numbers of Councillors is set in law and ward boundaries are set by the Boundary Commission. The budget for members in 2009/10 was £2.334m, covering salaries (£1.94m) and travel, accommodation, catering, communications, office equipment and stationery. By reducing travel, increasing video-conferencing and tele-conferencing, reducing catering and stationery we will generate savings of £78,000 in 2010/11 and a further £50,000 will be saved in 2011/12. Members have accepted a 2 year pay freeze.	£0.050m
Reducing management costs and posts. In recent years we have saved £1.4m and will continue to seek reductions in management costs including how we join up with other public sector bodies. Reducing a further 20 management posts could save around £1m. This could include moving to a shared management structure with other public sector bodies.	£1.000m
Sharing services, with other partners to deliver services more efficiently. The Council already operates shared services in many areas but there are further opportunities. Currently potential shared service arrangements are being explored with local authority and public sector partners in the Highlands & Islands – including call handling, shared facilities, fleet management, procurement, payroll and financial services, as well as tele-health / tele-care services and out of hours provision.	To be confirmed
Sub-total : how we intend reducing these costs	£7.450m

Key to using this document

Over the next 4 pages we have set out a number of ideas that our Services have suggested to achieve some of the savings we need to make in 2011/12, 2012/13. We've grouped the budget ideas and questions into four themes, these are colour coded as set out below:

**LOOKING AT OUR
COMMUNITY FACILITIES**

**LOOKING AT HOW INDIVIDUALS AND
COMMUNITIES CAN CONTRIBUTE**

**LOOKING AT HOW WE RUN
COMMUNITY SERVICES**

**LOOKING AT OUR RESOURCES
- STAFF AND BORROWING**

To prepare for the future and to protect essential services...

We are asking ourselves - and the public - some big questions.

LOOKING AT OUR COMMUNITY FACILITIES

Are we running too many schools?

Many schools were built over 100 years ago and it would be surprising if we had now just the right number of schools, of just the right size, in the right condition and in just the right place. We have 183 primary schools, 29 secondary schools and 5 special schools. We know that 23% of our primary schools (42 schools) are less than 40% full at the moment with falling school rolls in these areas. We know that 65% (121 primary schools) need improvements to the buildings. With fewer schools, and an agreed acceptable distance to travel to school, we could offer a better learning environment with a broader curriculum and specialist teaching. An alternative could be the same number of schools but with 12% less funding in real terms for each school. We have started a wide ranging review and we may be able to save up to £5.5m over 5 years, with £1.5m estimated over 2 years.

Further Potential Savings to 2013 = £1.5m

Should we continue to run care homes ourselves?

83% of care home places are currently provided, at lower cost, by the private and voluntary sector. The remaining 17% are in 18 Council-run care homes for older people. A place in a Council-run home costs around £819 a week compared to between £464 and £540 for private and voluntary sector. Care homes are independently inspected against the same standards whether in the public, private or voluntary sectors and inspection reports show similar quality in Highland. Should we concentrate our effort, and our Council provision, in remote and rural areas where private/voluntary providers are unlikely to run care homes? And in the main areas of population, should we allow the private/voluntary sector to provide these services, at lower cost? This could save up to £2.9m.

Further Potential Savings to 2013 = £2.9m

Can we change how we provide day care for older people?

The Council has 23 registered day care services for older people, providing a mixture of social contact, stimulation and physical care for up to 570 older people. Most of these are provided within our care homes, but we have three stand alone older people's day care centres. The Council also supports almost 30 day services in the private and voluntary sectors which offer another 250 places. Many of these services are less than $\frac{3}{4}$ full and we know that many older people are reluctant to use services that focus on their age or incapacity. There may be opportunities to meet people's needs differently in other local settings (e.g. community and leisure centres and village halls) or to bring services together to make more efficient use of some facilities. This could lead to more people benefiting from the services but at lower cost.

Further Potential Savings to 2013 = £0.150m

Can we reduce the number of swimming pools, community centres, museums and libraries?

To reduce costs we are having to look at: closing some of the 12 swimming pools and some of the 6 community centres in Inverness (elsewhere village halls are used); possibly re-locating archive provision from Portree and Fort William to Inverness; potentially closing some of the Council-owned museums and art gallery and reducing support to the 18 community-owned museums and 3 heritage centres; even closing up to 18 local libraries and reducing opening hours in the other 22 libraries and reducing the schools and Bookstart library service. The Floral Hall in Inverness is also to be reviewed. For all of these facilities, the Council currently spends over £7.3m. By reducing the number of facilities and reducing opening hours we could save £1.6m. Deciding where to cut back could include distance and travelling time to facilities. We are seeking your views on these ideas.

Further Potential Savings to 2013 = £1.6m

Can we reduce the number of public toilets?

We currently provide and service 105 public toilets across the Highlands at an annual cost of £1.7m. We know these facilities are important for tourism, but are there opportunities to reduce the numbers of public toilets where other facilities are available (for example shopping centres), or where there is a low level of usage, or where local businesses are willing to work with us to make their toilets available to the public. There are already good examples of local businesses making their toilets available to the public.

Further Potential Savings to 2013 = £0.2m

Instead of looking only at reducing or closing specific local facilities, there are other options the Council can explore. These might be:

Using public buildings differently and more flexibly, providing services and space for different needs and groups

If we cannot afford to maintain and run all of the local facilities, what is the best way of finding out how to reduce their number and still provide the services needed? Would people in communities be willing to work with us to identify all the buildings in public use locally and to work with us to agree how to change their use for the community, reduce the number and find savings?

Transferring the ownership and/or the management of some facilities to not-for-profit organisations

If we transfer the running of swimming pools and leisure centres, archives and museums, community centres, and libraries to a not-for-profit organisation this would reduce costs and avoid some closures. This could reduce costs by around £500,000 per annum. Do people using these services mind whether the Council or another organisation provides the service if it means fewer closures?

LOOKING AT HOW WE RUN COMMUNITY SERVICES

Can we change how we provide care at home?

Currently we provide a care at home service to nearly 2000 older people. For around 1800 people this is provided by Council staff and for around 200 people we pay other organisations to provide this service. If we paid other organisations in the private and voluntary sectors to provide this service to everyone, we would save £1m. The care provided is independently inspected against the same standards no matter who provides it. Do people using these services mind whether the Council or another organisation provides the service? Can we use this approach too for the small number of people with learning disabilities living in Council-supported housing in Inverness? Elsewhere in Highland we pay other organisations to provide this service more cost effectively. This could save us £40,000.

Further Potential Savings to 2013 = £1.04m

Can we encourage a reduction in the amount of waste we produce and provide fewer bin collections?

By increasing the amount we recycle, we reduce the amount of waste which goes to landfill. Disposing of waste in a landfill site costs around £100 / tonne, of which £48 is landfill tax. This tax increases by £8 / tonne every year. The level of kerbside recycling has increased significantly over the past five years which has helped get us to a recycling rate of 35%. However we still provide a weekly collection for your non-recyclable waste (also known as 'residual waste'). We seek your views on moving to alternate weekly collections for residual waste and recyclable materials, to encourage the reduction of waste and increase recycling. We currently spend £5.3 million on waste collection, and alternate weekly collections could save around £0.5 million.

Further Potential Savings to 2013 = £0.5m

Can we reduce our street lighting?

We have 48,850 street lights across the highlands, and currently spend £3.9m maintaining street lighting, traffic lights, and illuminated road signs. The electricity costs are £2m, and we are seeking your views on options for reducing our energy costs, these include:

- Dimming street lights between 12 midnight and 6am would involve fitting new lamps at a cost of £350 per unit. Overall costs to implement this proposal are estimated at £17m, with annual savings of up to £1m depending on the level of dimming.
- Turning off some street lights between 12 midnight and 6am, based on switching off selected lighting groups in rural areas with less than 100 columns, this would cost £50k to implement, with annual savings of up to £100k.
- Turning off all street lights between 12 midnight and 6am would cost £500k to implement, with annual savings of up to £1.1m. However a 100% switch off may not be achievable for safety reasons.
- Turning off every second street light would cost £200k to implement, and produce up to £1m in annual savings. There would be further costs for the removal of redundant lighting columns.

Further Potential Savings to 2013 = Up to £1.1m

How should the Council deal with enquiries for services and information?

It currently costs around £6.00 per contact to deal with enquiries face to face, £3.50 to deal with enquiries on the telephone and less than 50p for web site transactions. Last year the Council dealt with over 355,000 face to face contacts. Should the Council have fewer face to face contacts points and provide more services by telephone and the website, allowing more self-service for customers?

Further Potential Savings to 2013 = £1m

LOOKING AT HOW INDIVIDUALS AND COMMUNITIES CAN CONTRIBUTE

What more could individuals and communities do for themselves?

There is a long history of communities owning and managing community assets in the Highlands, e.g. community forests, community swimming pools, village halls and harbours. We benefit from high levels of volunteering; 29% of our adult population volunteer in some way and over half do so in more than one activity and more than once a week. Is there an appetite for communities and individuals to do more?

For example, we spend £3.9m on street cleaning and litter collection. We also spend £4.3m on grounds maintenance, flower beds and play areas. Could community involvement help to reduce these costs by £1m? What else can we do to be less tolerant of people dropping litter? Should we fine more people and ask the Scottish Government to make fines higher?

Further Potential Savings to 2013 = £1m

Can community businesses provide Council services more cost effectively?

We currently spend £26m each year to support community groups, social enterprise and charities. They provide a huge range of public services, drawing on volunteer time and accessing funding from other sources. Examples include recycling projects, housing associations, care and support providers, community transport, sports clubs, lunch clubs, children's clubs, tourism groups, biodiversity groups, arts and culture groups, festivals and museums. Where these organisations can provide services more efficiently and effectively than the Council, should we route more services through community groups or community businesses? If you think so, which areas should we focus on and what support would be needed?

Further Potential Savings to 2013 = To be confirmed

Are the public and users of services able to pay more for the services they receive?

The Council already charges for a range of services, including school meals, hire of rooms and facilities, commercial refuse collection, leisure centre use, car parking, and burials. We receive income of approximately £68m from these charges. While some of these charges are set externally, for example planning fees, if we increase other charges, or introduce new charges, that would reduce some of the cuts in service the Council is having to consider. The Council would continue to offer concessionary arrangements and discounts to avoid charging certain service users. If we increase charges we control over the next two years, over and above inflation, that would save the Council £3.7m.

Further Potential Savings to 2013 = £3.7m

LOOKING AT OUR RESOURCES - STAFF AND BORROWING

Are staff willing to consider a pay freeze?

Budgets for all our services are to be frozen, except for the provision made for costs of staff and energy. Salaries and wages are negotiated at Scottish level and we have made it clear that we want to see a pay freeze for at least one year. This would avoid £4.9m of extra costs each year, and £9.9m if the pay freeze was extended to two years.

Further Potential Savings to 2013 = £9.9m

Should we reduce our level of capital investment? Can we increasingly 'make do' with our current assets?

Capital spending pays for new and improved facilities including schools, care homes, roads and bridges, flood prevention schemes, as well as supporting the local economy. In 2009/10 the Council is spending £69m on capital. Just like having a mortgage, the Council borrows to pay for this capital investment over a number of years. The cost of repaying the Council's borrowing, essentially its mortgage repayments, adds to the Council's costs. The Council's fixed general fund assets are valued at approximately £1 billion. It has borrowing totalling approximately £400m for its General Fund services, representing borrowing incurred over a number of decades to provide for the schools, roads, etc currently in use. At present £46m is spent each year on repaying that borrowing. By spending less on capital we can reduce the amount we need to pay back. If we reduced our capital programme by £10m in a single year, that could reduce borrowing costs by up to £0.800m in subsequent years.

Further Potential Savings to 2013 = £0.8m

Should we refocus our capital investment?

In terms of design...

Should we be adopting a modular approach to the construction of any new Council buildings? This approach which utilises standard design modules can lead to savings in both build costs and lifecycle costs. It can involve compromises in terms of design flair and the sensitivity of designs to the local context.

In terms of priorities...

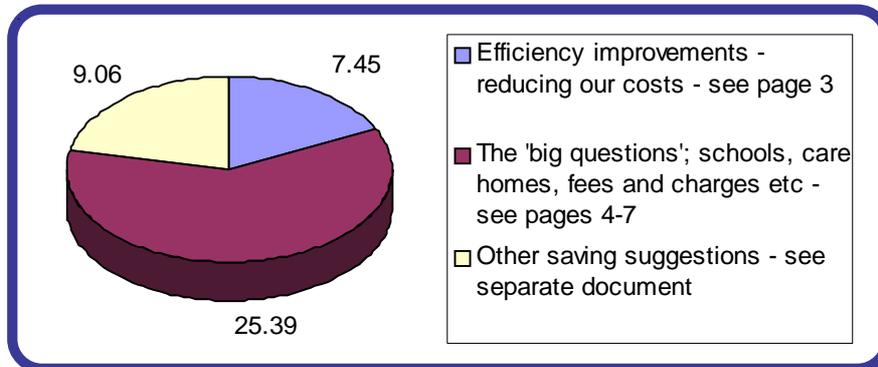
Should we allocate a higher proportion of our capital budget to projects which would reduce operating costs? Schemes to improve energy performance of properties, to change to renewable sources and to reduce waste will help to reduce costs but will divert capital funds from new build programmes.

SUB-TOTAL: Potential savings from the big questions = £25.39m

We have also identified a range of further savings options for consideration, and these are provided separately. In addition to the 'big questions', these further ideas would add **£9.06m** to the savings.

We are asking for your views on these specific budget ideas too.

Across this document, we have identified a range of savings options amounting to **£41.9m**. This compares to a budget gap of **£36m**.



If you don't feel the options set out in this document are acceptable ways for us to reduce our costs and balance our budget, do you have suggestions for other ways we could make savings?

We want to find out if you have any budget savings ideas – even if the savings might be small. For further information on our costs, please see the table at the end of this document showing a breakdown of our budget.

Thank you for your time and contribution.

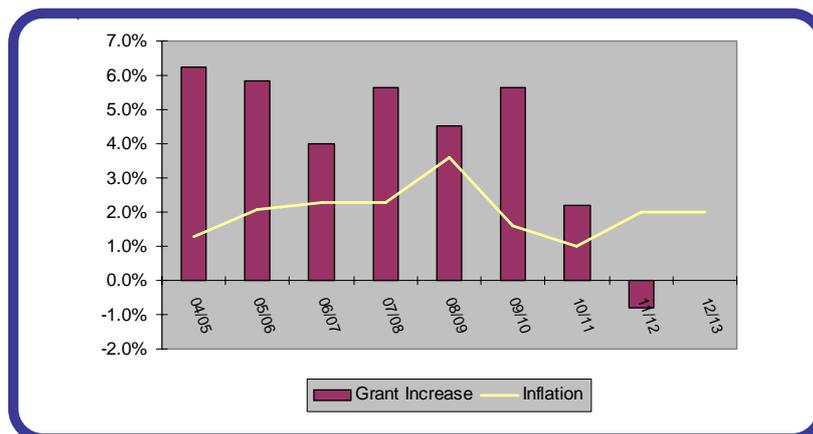
David Alston

Councillor David Alston Budget Leader

Why is there a budget gap?

Due to the banking crisis and subsequent economic recession, public sector spending is expected to reduce to allow the UK to reduce its debt. It is currently assumed that we will see a 12% real terms reduction in funding by 2013/14.

The graph below shows what that means for the Council, comparing funding increases over recent years with the reduced funding for the next 3 years. Inflation is also shown to highlight that funding is expected to be below the Government's estimate of inflation over the next few years.



Although grant is expected to decrease, the Council will still face increases in its costs over the next few years. Examples include inflation on goods and services we buy, pay award increases although the Council is supportive of a pay freeze, increases in tax and interest rates, increased demand for services.

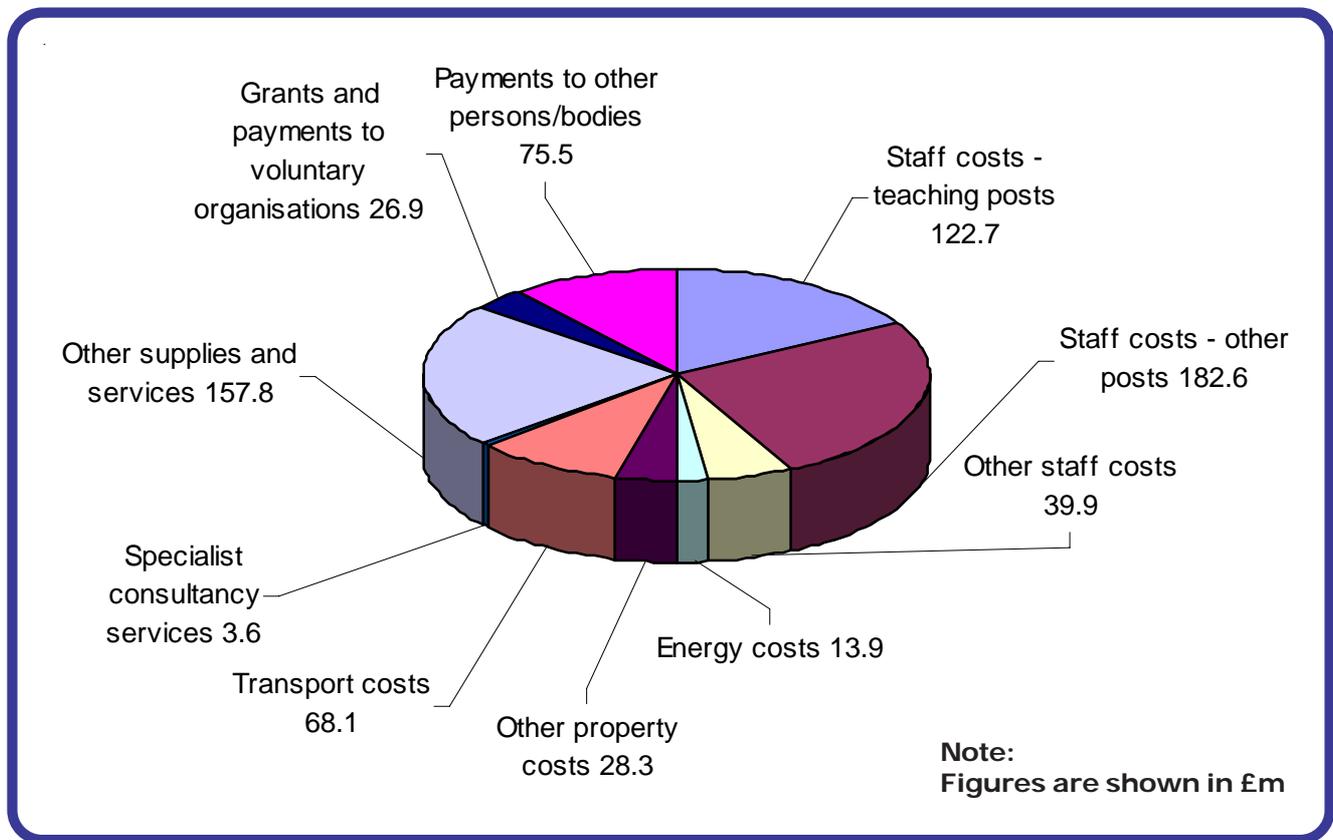
	2011/12 £m	2012/13 £m	Total £m
Estimated Funding	603.5	603.7	-
Estimated Budget	628.5	625.5	-
Less savings agreed	5.8	5.0	-
Difference = Gap	19.2	16.8	36

Where does the Council spend its budget?

The Council has a £604m revenue budget for General Fund Services, which is funded in part from council tax. This is the budget the Council wishes to consult on. Quite separately there is a budget for Council housing, which is wholly funded from rents, and this budget is not covered by the consultation.

In addition to the £604m spent on the day to day costs of providing services, the Council holds a capital budget to pay for investment in its buildings and other assets e.g. schools, roads, bridges, care homes.

The graph below shows how much the Council spends on delivering its services, whether that is through employing staff to deliver services, the running costs of schools and other buildings, or buying in goods and services.



On the next page is a breakdown of the budget into the services delivered. All of the budgets shown on the next page are 'net expenditure' which means they take account of any fees or other income received.

Where does the council spend its budget?

	£m	%
CHILDREN AND EDUCATION		
Primary and Secondary education devolved, incl £110m staff	139.2	23.1%
PPP schools payment	22.2	3.7%
Supporting children with additional needs	25.9	4.3%
Residential school placements outwith Highland area	6.0	1.0%
Pre-school education and childcare	12.5	2.1%
School transport incl school crossing patrols	12.0	2.0%
Schools - centrally held budgets	5.3	0.9%
Catering and cleaning	6.7	1.1%
School residences	0.9	0.1%
Administration and Quality improvement	5.7	0.9%
COMMUNITY, LEARNING AND LEISURE		
Leisure facilities and sports development	4.7	0.8%
Library provision	4.4	0.7%
Community learning, adult education, youth work	3.6	0.6%
Museums, village halls, arts, archives, events	3.5	0.6%
Grant payments (leisure, arts, museums, sports etc)	3.2	0.5%
	£255.8m	42%

SOCIAL WORK

Care Homes for Older People - Council run	9.6	1.6%
Care Homes for Older People - Non Council	19.4	3.2%
Care at Home and other non-residential care	16.0	2.7%
Social work children's services	17.7	2.9%
Learning disability services	16.7	2.8%
Mental health services	4.6	0.8%
Physical disability services and sensory impairment	5.6	0.9%
Criminal Justice Services (incl. probation)	3.3	0.5%
Substance misuse and youth crime	2.6	0.4%
Support services to vulnerable tenants	11.3	1.9%
Other social work services (incl. statutory consultation, drug/alcohol misuse services, management and administration)	2.7	0.4%
	£109.5m	18%

POLICE, FIRE AND VALUATION

Payment to Police Board/Northern Constabulary	47.0	7.8%
Payment to Fire Board/H&I Fire and Rescue Service	17.9	3.0%
Payment to Valuation Board/Assessors	2.4	0.4%
	£67.3m	11%

REPAYMENT OF BORROWING

Repayment of borrowing incurred to fund capital investment	45.9	7.6%
	£45.9m	8%

	£m	%
ROADS AND TRANSPORT		
Roads maintenance - road and footpath repairs	13.2	2.2%
Winter maintenance - salting and snow clearing	5.2	0.9%
Street lighting and traffic lights	3.9	0.6%
Subsidies for public transport and concessionary fares	5.4	0.9%
Car Parks	-0.5	-0.1%
Watercourse maintenance	0.7	0.1%
Harbours - management and maintenance	-0.7	-0.1%
Emergency Planning and Business Continuity	0.3	0.0%
ENVIRONMENTAL AND COMMUNITY SERVICES		
Recycling	7.6	1.3%
Residual waste collection	5.3	0.9%
Waste disposal	12.4	2.1%
Street cleaning and litter collection	3.9	0.6%
Ground maintenance - grass cutting/flower beds/play areas	4.3	0.7%
Public toilets - cleaning and servicing	1.7	0.3%
Burials and cremations	1.1	0.2%
Environmental health	1.9	0.3%
Trading standards	0.9	0.1%
	£66.6m	11%

OTHER COUNCIL SERVICES

Planning and building standards (cost £4.8m, fees £4.4m)	0.4	0.1%
Economic development (incl. Business Gateway and tourism)	3.7	0.6%
Countryside, heritage and natural resources	2.8	0.5%
Other planning and development services	0.8	0.1%
Service points, service centre and registrars	3.0	0.5%
Computer, communications and technology contract	14.6	2.4%
Chief Executive, HR, support and other corporate services	5.0	0.8%
Area and Ward management (incl. £1.5m discretionary budget)	4.3	0.7%
Committee services, legal, elections	1.7	0.3%
Members costs (salaries and expenses)	2.3	0.4%
Property maintenance (council properties)	5.1	0.8%
Commercial and industrial property	-1.6	-0.3%
Homelessness	2.1	0.3%
Other housing services (incl. community safety)	0.5	0.1%
Property services	2.5	0.4%
Council tax, cash and rates collection, benefits service	2.3	0.4%
Other finance (incl payroll, accounting, audit, procurement)	4.4	0.7%
Affordable housing contribution from council tax	2.6	0.4%
Other miscellaneous budgets (incl. contingency)	2.4	0.4%
	£58.9m	10%

TOTAL £604m 100%

