

REPORT TO ABERDEENSHIRE COUNCIL – 8 FEBRUARY 2018

REVENUE BUDGET 2018 - 2023

1 Recommendations

It is recommended that the Council:-

- 1.1 Acknowledge that the revenue budget facilitates the delivery of the Council's Priorities;**
- 1.2 Subject to parliamentary approval of the Scottish Government's budget, accept the funding package and conditions as set out in the extract from the Grant Settlement letter (Appendix 1);**
- 1.3 Agree the proposed budget changes and implications listed in Appendix 2;**
- 1.4 Set a Band D equivalent Council Tax figure for 2018/19 of £1,204.62 (Appendix 3);**
- 1.5 Agree the proposed balanced revenue budget for 2018/19 in Appendix 4;**
- 1.6 Agree revenue budgets for 2019/20, 2020/21, 2021/22 and 2022/23 on a provisional basis (Appendix 4);**
- 1.7 Agree that work continues on the future years of the revenue budget and that proposals are reported back to Council in the autumn;**
- 1.8 Note the financial risks set out in Appendix 5;**
- 1.9 Note the letter from the Council Leader to the Cabinet Secretary in Appendix 6.**

2. Discussion

- 2.1 The Council has a responsibility to prepare a balanced revenue budget for 2018/19 in order that Council Tax can be set for that year.**
- 2.2 By adopting a policy led budgeting approach, the revenue budget facilitates the delivery of the Council's key objectives and therefore continues to be a statement, in financial terms, of the Council's priorities for an agreed scope and standard of service provision.**
- 2.3 This coordinated approach is particularly important for combining service delivery, financial planning and the achievement of appropriate outcomes in an environment of increasing demands, finite resources and single year Settlements.**

- 2.4 A series of meetings have kept political Groups informed of all financial matters throughout the budget setting process.

3. Revenue Budget Process

- 3.1 Aberdeenshire Council invests nearly £1 billion per year in the local economy across all of its responsibilities. The revenue budget is part of the Medium Term Financial Strategy (MTFS) and as such takes account of the current year's financial position. The MTFS acknowledges the demographic challenges ahead and proposes a scope and standard of service to facilitate the Council's priorities against the financial background and funding package set out in the Local Government Finance Settlement from December 2017, and subsequent updates.
- 3.2 In order to clearly set out the resulting scope and standard of service, a series of financial schedules highlighting the Services' budgetary requirements taking into account previously identified pressures and savings are prepared. These are set against the Council Priorities and discussed with each political group. Through this method, it is clear that the budget process is not just about reducing costs, rather identifying priorities, allocating resources and agreeing a level of service. This is summarised in the information in Appendix 2.

4. Local Government Finance Settlement

- 4.1 On 14 December 2017 the Scottish Government announced a Finance Settlement for the financial year 2018/19. Aberdeenshire Council's revenue allocation is £403.276 million which is some £2.710 million below the provisional budgeted expectation. Since then, an amendment to these figures has been confirmed, increasing the revenue allocation to £403.767 million or £2.219 million below the expectation. These figures do not include additional funding which is yet to be announced at a Local Authority level, however, any additional funding is likely to be matched with additional expenditure in order to deliver the service.
- 4.2 The Scottish Government have stated they will work in partnership with local government to implement the budget and the joint priorities in return for the full funding package. Specific details from the Settlement are contained in Appendix 1.
- 4.3 As these allocations are provisional at this point, they form the basis of the consultation between the Scottish Government and COSLA ahead of the Local Government Finance (Scotland) Order 2018 which is to be presented to the Scottish Parliament in late February, with an expected date of the 21 February. The result of the consultation may yet provide a variation to the Settlement figures contained in this report.
- 4.4 For the current financial year there was a revised Settlement and Council adapted to the new information by reviewing some of the budget and service decisions made as part of the revenue budget process. This year, the wider focus on Service budgetary requirements coupled with clear Council Priorities will support the Council to react, if necessary, to any Settlement changes.

- 4.5 On 20 December 2017, the Cabinet Secretary for Finance and the Constitution wrote to COSLA confirming the details of the Local Government Finance Settlement following discussion with COSLA.
- 4.6 Within this letter a revised date of 26 January 2018 was confirmed as the date by which Council Leaders were required to write to the Cabinet Secretary for Finance and the Constitution if they were not intending to agree the offer. As the authority to accept or indeed reject the offer lies with Council on the 8 February 2018, the Council Leader wrote to the Cabinet Secretary advising that the Settlement could not be accepted until today's Council decision.
- 4.7 The Local Government Finance (Scotland) Order 2018 will be laid before Parliament by the 31 January 2018 with the debate on the Budget Bill planned for the 21 February 2018, therefore the specific details of the package of measures remains as set out in Appendix 1.
- 4.8 In February 2017, Council agreed to the budgeted assumption of a flat cash settlement for 2018/19 in the absence of Settlement information for that year. The updated Settlement information has now confirmed that Aberdeenshire's headline funding will be reduced by £2.219 million or 0.5% compared to the budgeted estimate.
- 4.9 The Scottish Government compares total revenue funding and estimated council tax from 2017/18 to 2018/19 in order to compare Settlements across each Local Authority. Subject to the Finance Order in February, this results in Aberdeenshire Council seeing an increase of 0.31% compared with the maximum decrease of 0.60%. Aberdeenshire's settlement is the third lowest in Scotland when compared to the average funding per head of population.
- 4.10 As part of the MTFs process, Strategic Leadership Team (SLT) has considered the Settlement figures from the Scottish Government and factored this into the proposed revenue budget.

5. Revenue Budget 2018/19

- 5.1 As mentioned earlier, the headline funding figures are slightly lower than budgeted by £2.219 million or 0.5%.

	2018/19 Assumptions as at February 2017 £'000	2018/19 Settlement £'000	2018/19 Movement £'000
Revenue Support Grant	300,970	290,216	10,754
Business Rates	93,671	110,710	(17,039)
Ring Fenced Grants	5,282	2,841	2,441
In-year Scottish Government Funding	6,063	0	6,063
Sub total	405,986	403,767	2,219
Scottish Government funding to be confirmed	0	1,293	(1,293)
Total	405,986	405,060	926

- 5.2 In addition, it is important to highlight specific areas of funding as some are included in the Settlement and others are not.
- Pupil Equity Funding is included in the Settlement as expected. The budgeted figure was £2.605 million, whereas the Settlement contains £2.829 million.
 - Criminal Justice funding is not included in the Settlement. The budgeted figure was £2.677 million. However, this money was held back nationally and has since been confirmed as £2.869 million for Aberdeenshire. As this service is delivered by the Health & Social Care Partnership and is claimed back on a pound for pound spent basis, it has been assumed that this amount will be passed through to the Partnership in full.
 - Teachers' Pay Award. Discussions have been on going regarding an additional 1% pay award from January 2018 – March 2018 i.e. 3 months of this financial year and then a full year of the additional 1% next year. This would mean a 2% pay award from January 2018. The Scottish Government have confirmed that funding will be made available for this year: £6 million and that the full year effect of £24 million has been baselined within the national Settlement figures. For Aberdeenshire this means relatively modest pressures of approximately £16,000 and £65,000 for the current year and next year respectively. Baselining next year's contribution of £1.255 million could have caused a pressure if the budgeted assumption had not been set at 2%, i.e. the budgetary requirements were based on an assumed 2% award.
 - Carers' Act. An additional £66 million has been included within the Settlement nationally to support additional investment in social care in recognition of a range of pressures on local government, including support for the implementation of the Carers (Scotland) Act 2016. Aberdeenshire's share of this funding is £2.716 million, and this is baselined within the overall £403.767 million settlement. This funding was not expected through Local Government and was not received in the last Settlement. The purpose and allocation of these resources is:
 - £30 million for additional Living Wage for adult social care
 - £10 million for Sleepover pressures
 - £2 million for Free Personal Care uplift
 - £19 million for Carers' Act
 - An additional £5 million to tie back to the total Scottish element from the UK budget, totalling to £66 million.
- 5.3 Aberdeenshire Council's share is in recognition of a range of pressures local authorities are facing, with approximately £782,000 being the share of the £19 million identified as Carers Act (fourth bullet point above). The majority of this funding is associated with Health & Social Care Partnership responsibilities and therefore will be part of the Partnership's budget and consequently the funding will be expected from Aberdeenshire Council. It is proposed to transfer £2.456 million to the IJB and retain £260,000 within Aberdeenshire.
- 5.4 The proposed method of closing the revised budget gap is shown in Appendix 2 and summarised within Appendix 4.

- 5.5 A number of risks have been identified during the preparation of the MTFS. These risks have been considered by SLT and discussed with political Groups. The potential implications and possible mitigations associated with the risks have also been discussed before figures have been included in the proposed revenue budget.
- 5.6 It is important to consider, report and accept specific risks facing the Council in the coming years, and these are listed in Appendix 5. This list is not exhaustive and is complementary to the risks identified as part of the MTFS process. The acceptance of certain risks is a part of budget setting in order to achieve a balanced position that does not include unnecessary cuts in essential services.

6. Council Tax Levels

- 6.1 Following the Scottish Government's Council Tax reform in 2017/18, which saw a re classification of Council Tax rates for Bands E – H and a lifting of the Council Tax freeze, the Settlement for 2018/19 has re-iterated a limit on the increase that can be applied to Council Tax rates for next year, at 3%. The proposed budget for 2018/19 includes a provision for a Council Tax rise across all bands of 3%.
- 6.2 For each 1% rise in Council Tax it is assumed that an additional £1.3 million in income can be collected.
- 6.3 These measures combine to produce a total budgeted Council Tax income figure of £137.825 million for 2018/19.
- 6.4 The proposed revenue budget for 2018/19 is shown in Appendix 4.

7. Future Years (2019 – 2023)

- 7.1 Settlement figures for future years have not been announced. The absence of these figures increases the level of assumptions required to produce future balanced budgets. Therefore, the level of savings identified within the MTFS process have not yet been applied to future years' budgets leaving these years out of balance.
- 7.2 Further detailed work is required and will continue on future years' budgets to re-examine assumptions relating to the scope and standard of service supporting the Council Priorities. This will continue to be part of the MTFS discussions between officers and councillors.
- 7.3 The Revenue Support Grant has been updated for 2018/19 and has been forecast for future years at the same level, however this is acknowledged as a risk. However, as the movement between the 2018/19 Settlement figure and the budgeted figure is 0.5%, this is seen as a proportionate position and will be reviewed during the MTFS process.
- 7.4 As future years' budgets are out of balance it is recommended that work continues to reduce the shortfalls and balance these years. It is suggested that an update on this work is reported to the Council in the autumn. Taking this suggestion together with future engagements and the Council Priorities will enable options for the cumulative position in Appendix 4 to be considered and balanced.

8. Financial Summary

- 8.1 Aberdeenshire Council has a statutory requirement to provide sufficient money to meet the total estimated expenses planned to be incurred, therefore Appendix 4 shows a proposed balanced budget position for 2018/19.
- 8.2 Budget pressures are continuously reviewed as part of the budget monitoring process during each financial year. The reporting of financial information to each Policy Committee with an overall report to Council has proved beneficial in terms of challenge and understanding and has enhanced the level of financial scrutiny.
- 8.3 The levels of risk assumed in the proposed budget will require to be reviewed, monitored and reported as the year progresses, and more information becomes available.

9. Overall Position

- 9.1 Taking all of the above into account, the overall position for each of the five years to 31 March 2023 is set out in Appendix 4. These figures represent the proposed revenue budget for 2018/19 and the provisional budgets for 2019 – 23.

10. Consultation

- 10.1 The Monitoring Officer within Business Services has been consulted as part of the budget process and her comments are included within the report.

11. Scheme of Governance

- 11.1 The Council is able to consider and take a decision on this item in terms of Section A.1.1 as it relates to the setting of council taxes and Section F.8.1 as it relates to the approval of the Revenue Budget.

12. Implications and Risk

Equalities

- 12.1 Equality Impact Assessments have been carried out as part of the development of the Revenue Budget savings proposals. A summary of the outcome of all the Equality Impact Assessments has been prepared and is attached as Appendix 7. The full version of each Equality Impact Assessment, and detailed breakdown of impact to protected characteristic will be available on Ward pages and Aberdeenshire Council's website.
- 12.2 Given that each separate decision made when setting the budget may impact on the lives of people with protected characteristic(s) the importance of considering the cumulative impact on the decisions being taken is recognised. The overall impact is provided below, for comparison purposes the relevant figures for 2017/2018 are included, and appear in brackets
- 12.3 Notwithstanding the impact on residents of Aberdeenshire, it is also recognised that the implementation of the identified budget savings may result in a reduction in employee numbers across some Council Services. A number

of proposals will require specific Equality Impact Assessments to be undertaken to identify the impacts which are currently unknown.

- 12.4 Given the make-up of the Council's workforce is predominantly female, the impact of any staffing reductions will have an overall disproportionate impact on this protected characteristic. However, such reductions will be managed through the relevant Council policies and procedures and opportunities to mitigate the impact will be sought through for example vacancy management and redeployment opportunities.
- 12.5 It is further recognised that in order to deliver the budget proposals, appropriate consultations with colleagues is essential and ongoing.
- 12.5 The financial implications are detailed in the body of this report.
- 12.6 The overall impact to people with protected characteristics is neutral at 78% (77%). In particular the impact on Sexual Orientation, Gender Reassignment and Marriage & Civil Partnership protected characteristics is significantly neutral at 97%. In 2017/18 the highest neutral impact was in relation to the protected characteristics of Gender Reassignment and Marriage and Civil Partnership (all 89%).
- 12.7 Overall the positive impact stands at 2% (4%) with the following protected characteristics demonstrating the highest positive impact:
- Age younger (7%)
 - Disability (7%)
- 12.8 In terms of negative impacts the Council-wide figure stands at 20% (9%) with the details:
- Age older (38%)
 - Age younger (47%)
 - Disability (33%)
- 12.9 All Services have considered mitigation to minimise the risk where possible.

Alan Wood
Head of Finance

APPENDIX 7

Equality Impact Assessment on the savings identified within the Revenue Budget 2018/19*

Education & Children's Services

Nursery: Early Learning and Childcare

- Negative impacts have been identified.
- A review of service delivery in certain services will be undertaken with the aim of refocussing existing resources and staff to maximise efficient and effective interventions.
- Family nurture approaches will be developed as part of the 1140 expansion, encouraging families to seek support before it becomes critical.
- New management structures in 1140 sites will increase time available for managers to work directly in settings with families, particularly those in need.

Primary Education

- No negative impact has been identified.

Secondary Education

- Negative impacts have been identified
- Services around music tuition and PSA support are likely to be reduced with no mitigation available due to a reduction in resource availability.

Administration & Management

- No negative impact has been identified.

Additional Support Needs

- Negative impacts have been identified.
- Risk management within the senior management team occurs on a regular basis to ensure resources are available and deployed appropriately to support demands of the service user.

Protection & Support to children in need

- Negative impacts have been identified.
- Risk management within the senior management team occurs on a regular basis to ensure resources are available and deployed appropriately to support demands of the service user.

Sport & Physical Activity

Community Centres & facilities

- Negative impacts have been identified.
- Promotion of the opportunity for communities to take over buildings through the Community Asset Transfer framework.

Non-recurring sports increase

- Negative impacts have been identified.

- Work will commence on identifying the times which have least impact on users, and identifying alternative times for users.

Sport Facilities Price Increases & reduced opening hours

- Negative impacts have been identified.
- New membership regular payment packages have been introduced to ensure people who only use specific services pay a reduced fee.
- Information will be provided to users to enable them to clearly see the best value access package for their type of use.
- Price increases are being phased in over four years. We are currently about to commence year two.
- Concession, though restricted, continue to be targeted at low income groups and will have no inflationary increase.
- Ongoing consultation has identified that increased prices will have an adverse impact on particular groups (i.e. swim clubs).

Reduced hours

- Negative impacts have been identified.
- Analysis of programming will be undertaken to minimise the closure impact.
- Communications campaign will be undertaken highlighting the nearest pool in the area and linking, where possible, some session times with bus/public transport routes.

Libraries: Reduced hours & new ways of working

- Negative impacts have been identified
- Identification with partners of hours when the least impact will be seen.
- Investigate the potential for co-location with other services in the community.
- Publicity and awareness raising to signpost library users to alternative service points, including digital services.
- Providing ICT and wireless internet access in other public buildings in the community.

Infrastructure Services

Support to passenger transport

- Negative impacts have been identified.
- Advice, via the THInC line, will be available to provide alternative transport options for travel to medical appointments and how to claim some transport costs to hospital appointments if applicable.
- Where appropriate, liaison with communities and voluntary transport organisations will take place regarding the feasibility of potential development and / or amendment of community transport services and funding to accommodate the needs of PT customers.
- Continued support available to community transport groups.

Housing Services

- No negative impact has been identified.

Waste Management

- No negative impact has been identified.
- Kerbside collections for all residents for glass and textiles is being progressed to allow residents to recycle this material from their home without the need to transport to a recycling point.

Landscape Services

- Negative impacts have been identified.
- Results of a consultation undertaken in December 2017 concluded that charges levied for services provided should aim to achieve cost average, the proposed increases adopt this principle and will facilitate the continued operation of burial services. The proposed increases will be spread across two financial years to allow customers to prepare/ make arrangements for funeral costs.

Roads Maintenance & Management

- Negative impacts have been identified.
- The use of techniques to lengthen the life of footways will be expanded, and there will be a focus on areas of high footfall, however the condition of the footway network is likely to deteriorate.

Economic Development

- No negative impact has been identified.

Business Services

Customer Communication & Improvement

- No negative impact has been identified.
- Redesign of posts to focus service delivery specifically relating to Engagement & Consultation.
- Revision of non-staffing budget to support mainstream activity (e.g. learning & development & equalities).

Property & Facilities Management

Woodhill House

- No negative impact has been identified.
- It is considered essential to source an appropriate tenant for the vacant space within this building.

Corporate Estates

- No negative impact has been identified.
- Savings will be realised from changes and reductions of other Council owned buildings to create one civic presence in major settlements.

Estates

- No negative impact has been identified.

Halls

- No negative impact has been identified.
- Savings will arise from overall management review, service review and vacancy management and the removal of long term vacancies from the structure.

Office & Operational Buildings

- No negative impact has been identified.
- Savings will arise from overall management review, service review and vacancy management and the removal of long term vacancies from the structure.

Property Construction Services

- No negative impact has been identified.
- Savings will arise from overall management review, service review and vacancy management and the removal of long term vacancies from the structure.

Estate Repair & Maintenance Fund

- No negative impact has been identified.

Public Convenience

- Negative impacts have been identified.
- Communities will be consulted in due course. A communication plan will ensure opportunity to make comments and explore any potential for communities to run a facility or comfort partnership.

Human Resources & Organisational Development

- No negative impacts have been identified.
- Senior managers are aware of the requirement to undertaken effective resource management in order to make the necessary savings.
- Engagement plan with relevant teams in order to effectively manage resources.

Capital Finance

- No negative impacts have been identified.
- Projects in the Capital Plan will create opportunities for advancing equality of opportunity as they will provide DDA accessible facilities such as libraries and leisure facilities, they will provide DDA accessible schools allowing more disabled children to move into mainstream education.
- In addition Council buildings are being adapted to suit the needs of those with hearing difficulties allowing partially deaf to attend meetings etc.

Council Tax

- No negative impacts have been identified.

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- A Council Tax Reduction Scheme is available for individuals on low income or claim benefits within each of the groups resulting in a reduction of the Council Tax payable.

Finance

- No negative impacts have been identified.
 - Finance Management Team will review staffing to reflect the changing shape of the organisation.
 - The Finance function will continue to support the other Council services to provide frontline service delivery that continues to create opportunities for advancing equality of opportunity.
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- An Equality Impact Assessment was previously undertaken on the Council's budget. Year on year the savings within the Revenue Budget are impact assessed.