

Local Government and Communities Committee

Draft Budget 2018-19

Submission from Aberdeenshire Council

Question 1: We want to hear your views on the transparency of the local government financial settlement, and how this could be improved.

The Council welcomes the Scottish Government's commitment to improve transparency in terms of the draft Budget but recognises that the dependency on the UK Government budget process and the timing of announcements creates particular challenges for local government.

At a local and national level there is extensive financial modelling activity ongoing during the financial year and it would perhaps be advantageous for all concerned if there were opportunities at an earlier stage for those involved in such work to share their assumptions on the understanding that things can change.

This would help improve the accuracy of financial modelling at a local level and narrow the gap between the financial models and the final settlement figures, making the budget planning process at a local level more transparent and accurate.

The draft budget process could also be improved if there were indicative figures for subsequent years.

It would also improve transparency if the detailed information included in the settlement letter relating to the Individual Revenue Allocation for example Former Ring-Fenced Grants was replicated in relation to the GAE, which is currently one line in the letter. Councils should not be required to request further detail, it should be automatically available.

Question 2: We want to hear your ideas on how local government finance, including revenue streams, may change in the future.

Given the budgetary challenges facing councils and the increase in demand for services, there may have to be a greater reliance on fees and charges, which may have to be at levels that are sufficient to cover the cost of providing the services being charged for.

The Council recognises the opportunities for efficiencies through greater collaboration, partnership working and shared services, as can be evidenced by the shared service arrangements in relation to procurement and internal audit that we have with Aberdeen City Council. However the lack of upfront funding to kick start a more extensive shared service agenda coupled with reductions in funding elsewhere mean that the opportunity to maximise the economies of scale around such an agenda cannot be fully realised.

There is also an opportunity to better inform future local government finances by carrying out an analysis of the cost of providing services, particularly where the

services are statutory. This would also better inform the levels of “protected” funding required for national policy initiatives.

This needs to be coupled with a debate around nationally acceptable service standards in certain areas.

Question 3: We want to hear your views on the three year RPAs and how this will help local authorities plan to meet affordable housing needs in local areas and also the Scottish Government’s 50,000 affordable homes target.

We welcome the increase in affordable housing investment and the three-year RPAs to provide greater certainty and support planning of affordable housing development in the medium term. Nevertheless, it is challenging to align exact spend of development given this is largely driven by factors out with the control of the local authority. As such, the annuality of the budget remains an issue.

A particular challenge for the north east of Scotland is the high cost of development. The national grant benchmark levels are often insufficient to allow the scale of affordable housing development to come forward that is required to contribute towards the national target. This is particularly evident in the size and type of sites that social housing providers can access. Typically these can be small - lacking economies of scale - often on brownfield sites requiring higher remediation costs, or conversions of ageing and energy inefficient properties. Costs of development varies across Scotland and a grant benchmark level which reflects the costs of the local housing market would help to increase levels of new affordable supply.

Question 4: We want to hear your views on any other aspect of the housing supply budget.

Given the lack of additional grant available for properties which meet particular needs, it is challenging to provide enough stock to ensure people live independently for as long as possible. Investment in future-proofing the housing stock should pay for itself through reduced strain on health and social care budgets and even the practical elements of retro-fitting aids and adaptations.

Question 5: We also invite views on any of these aspects of the Local Government Communities Budget 2018-19.

Meeting the Energy Efficiency Scottish Social Housing (EESH) standard places significant strain on the same local budgets that have to pay for new affordable supply. This limits the capacity of social housing providers to provide additional new build and their ability to draw down the high levels of grant that are available. There is arguably an opportunity for more joined-up planning around the competing priorities of meeting EESH by 2020 and the concurrent 50,000 affordable homes target during the current parliamentary term.

Question 6: We want to hear how spending is prioritised and resources are managed effectively, for instance through service redesign.

The Council has recently concluded an engagement exercise with residents and staff aimed at identifying the key priorities for next 5 years and the next stage of this process is to align the Council's budget to those priorities.

Future decisions around service redesign will be based on the how the outcomes from the services being delivered fit with the Council's key priorities with a focus on cross-service working under the One Aberdeenshire approach.

The Council has for a number of years been committed to the improving service delivery through the streamlining of processes and maximising the efficiency of its operations through the use of digital technology. This includes encouraging its citizens who can to access services and information online.

Question 7: We want to know how national policies are impacting on local government spending, for instance how will increased revenue from the end of the council tax freeze and banding multiplier be used, what is the impact of spending being "protected" through national policy.

The Council accepts the need to support national policy objectives but the protection of certain funding streams whilst within the RSG when there is a real terms reduction in grant funding can present challenges in meeting local priorities.

Question 8: We want to hear how fees and charges are being used, and how decisions are made on which service areas are affected.

The Council has clear policies that set out its approach to fees and charges, and all such charges are subject to consultation with customers. The Council recognizes the impact that fees and charges have on low income individuals and households and, in addition to considering the likely impact on financially vulnerable households before introducing new fees and charges, it also operates concessionary and rebate schemes aimed at reducing the charges.

Question 9: We want to know how local authorities assess the impact of increased charges and service redesign on different social demographics.

The Council has clear policies that set out its approach to fees and charges, and all such charges are subject to consultation with customers. Prior to any new fees or charges being introduced work would be undertaken to establish the residents who would be affected by the charges, the impact on low income individuals and households and there would also be an Equality Impact Assessment. All new charges require Committee approval and there is a charging policy that requires all services with charges to review these every 3 years and increases in charges in interim years are limited to inflation. The Council also operates a concessionary and rebate schemes in respect of the charges it levies aimed at helping low income households.

In terms of service re-design the Council is committed to delivering services that fulfil its statutory and non-statutory obligations to residents and businesses and has

currently just completed an engagement exercise to identify what its priorities should be for the next 5 years. Where services are subject to redesign this is done with a view maintaining and enhancing service delivery whilst improving efficiency and reducing costs.

Question 10: Following on from evidence heard last year, we invite local authorities to provide an update on the use of General Fund Reserves.

The Council holds 3 types of usable reserves. The usable reserves are as follows:

- Working Balance;
- Earmarked Reserves represent previous committee decisions regarding funds held for specific purposes;
- Statutory Reserves are held for specific purposes under existing legislation.

The Council sets a recommended minimum working balance, which is currently £9 million.

This balance would only be used to meet any unforeseen emergencies. If the balance falls below the recommended minimum, the Council would take action to restore it to its recommended minimum.

In 2016/17 Aberdeenshire Council had the second lowest total usable reserves as a proportion of net cost of services in Scotland. We have strategy that governs the use of reserves that is agreed by elected members, which was approved in 2012 and is currently under review.

Alan Wood
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