

REPORT TO ABERDEENSHIRE COUNCIL – 14 FEBRUARY 2019

MEDIUM TERM FINANCIAL STRATEGY

1 Recommendations

It is recommended that Council:-

- 1.1 **Agree that the priorities identified in the Council Plan provide the basis of the Council's Medium Term Financial Strategy (MTFS);**
- 1.2 **Agree that the MTFS is the framework for preparing the Council's budgets;**
- 1.3 **Consider the results from the budget engagement exercise which underpins the MTFS.**

2. Discussion

- 2.1 Aberdeenshire Council's MTFS represents an integrated approach to financial planning across Services and across all Council financial resources. It sets out a consolidated view of the Revenue Budget, Capital Plan and Reserves enabling the Council to consider, link and plan the full financial impact of decisions taken now on next year's budget and an indication of the impact on future years.
- 2.2 This integrated approach has proved particularly important when combining service delivery priorities and strategic financing options with financial planning in the current environment of single year Settlements.
- 2.3 The MTFS covers all of the Council's finances, i.e. General Fund and the Housing Revenue Account (HRA). The General Fund is the element of the Council's business that is partly funded by Council Tax and delivers all services except Council Housing. The HRA is funded by Council House rent and this is used to fund the maintenance and management of Council Houses to the benefit of the tenants.
- 2.4 The Council operates within a significant financial context. On an annual basis financial resources of some £1billion are accessible to deliver services across the activities of the General Fund and HRA through revenue budgets, capital plans, reserves and the Integration Joint Board responsibilities.

- 2.5 The MTFS is a key determinant of the Council's budget setting process which aims to ensure that resources are aligned to the priorities and supports the delivery of outcomes in the Council Plan. It sets out the Council's financial resources over the next five years by outlining the known and estimated Grant position. Furthermore, any implications regarding the scope and standard of service delivery as a result of the decisions taken to prepare a balanced budget are also stated.
- 2.6 The financial context within which local government operates continues to be a challenging one on both the income and expenditure fronts, particularly around funding levels, the timing of funding announcements and financial commitments such as pay awards. These are significant elements within the MTFS and are key in determining not just a balanced budget for next year but also a deliverable budget too. Therefore, the ability to react is increasingly important and re-emphasises the value of a strategic finance plan based on service priorities and supporting Council Priorities.
- 2.7 The MTFS brings together all financial resources of the Council, therefore in order to provide the financial advice necessary to ensure appropriate decisions are taken on service delivery, a strategic finance approach is essential. A strategic finance approach considers all of the financing options available to deliver services including, cash, borrowing and reserves. This in turn will complement the service delivery and the agreed outcomes rather than determine them.
- 2.8 The Scottish Budget for 2019-20 was published on 12 December 2018 and presents the Scottish Government's draft spending and tax plans for 2019-20. This leads to a period of parliamentary scrutiny and political negotiation as the Government seeks parliamentary support for its tax resolutions and budget bill in advance of the new financial year.
- 2.9 The Scottish Budget includes devolved tax forecasts undertaken by the Scottish Fiscal Commission (SFC) including non-domestic rates income (NDRI) for the next 5 years, forecasts for Scottish economic growth and spending forecasts for the newly devolved social security areas. The SFC expect slightly higher growth throughout the forecast period than they did in May. However, overall, they expect economic growth to be subdued in the longer term, averaging just over 1% over the next five years.
- 2.10 When the Local Government Settlement position is analysed for 2019/20 it is difficult to make direct comparisons from one year to the next due to the complexity of information and non-comparability between years. However, there is a general acceptance that in cash terms both the revenue and capital allocations to Local Government have increased next year. When the commitments and return of capital funding is excluded, the picture changes to one of reduced available resources.

3. Revenue Budget

- 3.1 The first part of the MTFS is the Revenue Budget which mainly covers day to day expenditure of the Council.

3.2 A key determinant of the Council's General Fund Revenue Budget is the Revenue Support Grant (RSG) from the Scottish Government which provides approximately 60% of the Council's funding.

3.3 Also, of significant importance is the level of Council Tax which is set, as this contributes to the funding of the General Fund revenue budget. Similarly, the level of Council House rent that is agreed contributes to the funding of the HRA revenue budget.

4. Capital Plan

4.1 The second part of the MTFS is the Capital Plan which sets out the Council's priorities for delivering significant projects such as schools, roads, depots, infrastructure projects and improvements to the Council Housing stock.

4.2 The Capital Plan is significant in financial terms at over £785 million over the next fifteen years and significant in economic terms and has seen a very positive impact in many of our local communities.

5. Reserves

5.1 The third element of the MTFS is Reserves. The creation, management and use of reserves is part of a prudent financial strategy with reserves management forming part of the strategic financial plans of the Council. A review of reserves has been undertaken and is reported to Council today as part of the MTFS.

5.2 Reserves represent one off monies available to the Council to determine their most appropriate use. For example, holding a General Fund Reserve or Minimum Working Balance is prudent in case extra ordinary expenditure arises. The level of this reserve is set following advice from the Head of Finance. Earmarked reserves are held for specific purposes following a committee decision whereas Statutory Reserves must be held by a Council but the value of these reserves is for the Council to decide.

6. Engagement

6.1 Building upon the success of previous budget and engagement exercises, the engagement process which was undertaken during December 2018 was to identify and understand potential future impacts, areas of concern, solutions and opportunities going forward. The engagement survey therefore asked respondents to consider the approach to date and opportunities and direction for the future.

6.2 Engagement is agreed as being important and necessary when preparing Aberdeenshire Council's budget. Engagement and feedback can inform the decisions made by Aberdeenshire councillors when considering financial choices to ensure that the Council continues to deliver appropriate and prioritised local services to communities.

6.3 The results of the engagement are attached as appendix 1 to this report.

6.4 Respondents were generally supportive of the council doing things differently, targeting resources where they are needed the most, working with the communities to deliver services together and paying for services to recover the actual cost of delivery.

- 6.5 A number of respondents noted that the Council should focus on statutory services and highlighted schools, waste collection, social care and the local economy as key priorities.
- 6.6 A recurring theme throughout the survey was a feeling that the Council should do more to become more efficient. Management costs, expenses and business efficiencies were all mentioned a number of times by different respondents.
- 6.7 Listening to, and working with local community, groups and business was highlighted a number of times as a crucial way to take advantage of opportunities, focus resources and become more efficient.
- 6.8 The Monitoring Officer within Business Services has been consulted in the preparation of this report and is satisfied that the report complies with the Scheme of Governance and relevant legislation.

7. Scheme of Governance

- 7.1 The Council is able to consider and take a decision on this item in terms of the general powers conferred by Section A of the List of Committee Powers in Part 2A of the Scheme of Governance.

8. Implications and Risk

- 8.1 Any staffing implications arising from the budget discussions are being assessed to determine how these can be minimised in consultation with employees and the Trade Unions. In accordance with agreed policies and procedures, formal consultations and negotiations with the Trade Unions will take place in relation to any proposed changes to staffing structures, HR & OD policies, and terms & conditions of employment.
- 8.2 The overall MTFs position has been set out in this report and there are no direct financial implications arising. However, the other related reports on this agenda go into more detail with regard to financial implications arising from budget decisions.
- 8.3 The following Risk has been identified as relevant to this matter on a Strategic Level: Balancing the Books ([Directorate Risk Registers](#)).
- 8.4 An equality impact assessment is not necessary for the purpose of this report as the recommended actions do not have a differential impact on people with protected characteristics. An equality impact assessment has been completed for the budget proposals contained within other reports on this agenda.

Alan Wood
Head of Finance

Public Engagement Survey Analysis

1. Background

Building upon the success of previous budget and engagement exercises, the purpose of this engagement process was to identify and understand potential future impacts, areas of concern, solutions and opportunities going forward. The engagement survey therefore asked respondents to consider the approach to date and opportunities and direction for the future.

Engagement is an important part of the budget setting process, providing residents with an opportunity to shape and inform priorities and spending levels. Over recent years, much of the focus has been through online survey activity and public meetings, with communication directed at residents to inform them about the future challenges facing the council and the decisions that need to be made to deliver services within the budget available.

Objectives of the engagement exercise were:

- i. Raise awareness of the Council’s priorities and approach going forward;
- ii. To provide feedback on previous engagement exercises and action that has been taken in response;
- iii. To encourage and enable residents to have their say about the approach to date and the challenges and opportunities going forward;
- iv. To facilitate a meaningful conversation while respecting key messages that residents have highlighted in recent years
- v. To engage in positive and collaborative way in order to develop solutions based on need and ideas.

2. Overview

The engagement survey took place over 5 weeks, starting on 4 December and closing on 7 January. Responses could be submitted by online survey or by paper form that was made available through the Council’s Contact Centre.

The engagement was supported through a multi-channel communication campaign that included:

- The creation of digital infographics
- A Social media campaign on Facebook and Twitter
- Media release to local news outlets
- Direct mail to partners and networks
- Internal communications

The social media campaign reached an audience on Facebook of 16,075 and created

17,998 impressions on Twitter. This is the cumulative total of six posts on each platform. In comparison to other campaigns this is an average level of engagement. Whilst social media users shared content over 40 times, there were no comments relating to the budgetary content on any of the posts.

The campaign was promoted to Community Planning Partners and appeared on the Health and Social Care Partnership social media accounts.

Content was also communicated with Trade Union colleagues, the Shadow Management Team, Heads of Service and Service Managers as well as all Elected Members.

Furthermore, local and national media featured articles in print and online highlighting key messages contained in media releases.

Subsequently 238 individuals (residents) responded to the engagement exercise. The majority (92%) of responses received were from individuals responding as a member of the public, 6% identifying as a member of a community group and 2% identifying as community council representatives. 38% of responses were from males, 54% females and 7% indicated that they would prefer not to disclose their gender. 10% of respondents indicated that they have a disability.

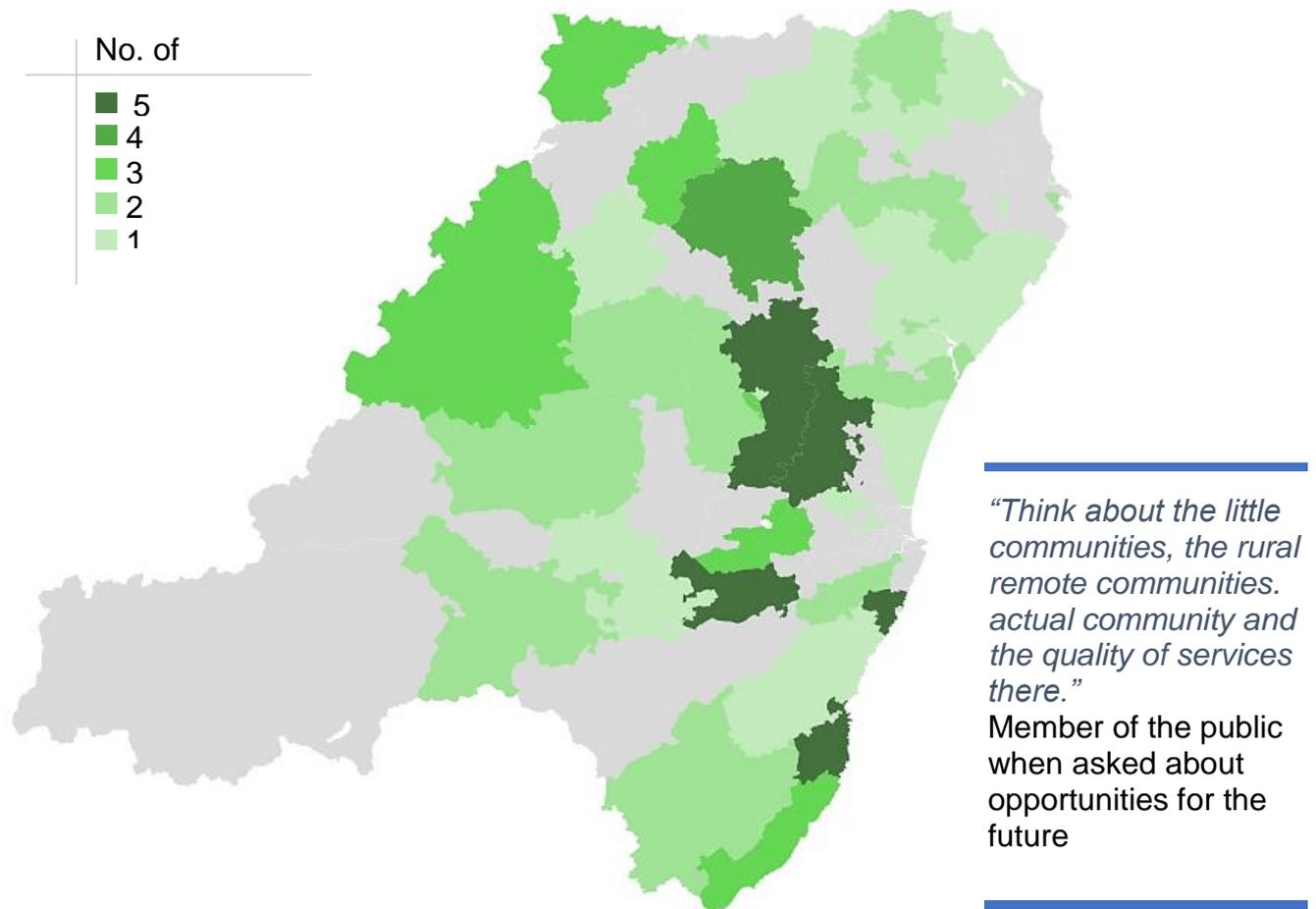
A broad range of responses were received by age. Table 1 (below) shows response by age and gender for responses, where this information was provided.

Table 1: Age and gender of respondents

	Male	Female	Other/Prefer not to say	Total
18-24	1	2	-	3
25-34	5	4	2	11
35-44	14	13	2	29
45-54	7	28	1	36
55-64	27	18	3	48
65+	4	3	2	9
Total	58	68	10	136

Forty-two individuals (residents) provided postcode details. Figure 1 below presents the number of respondents per area. Although less than 25% of respondents provided postcode information Figure 1 shows that responses were received from all six administrative areas.

Figure 1: Responses by postcode



3. Key findings

Overall:

Respondents were generally supportive of the council doing things differently, targeting resources where they are needed the most, working with the communities to deliver services together and paying for services to recover the actual cost of delivery.

Key Themes:

- A number of respondents noted that the Council should focus on statutory services and highlighted schools, waste collection, social care and the local economy as key priorities.
- A recurring theme throughout the survey was a feeling that the Council should do more to become more efficient. Management costs, expenses and business efficiencies were all mentioned a number of times by different respondents.
- Listening to, and working with local community, groups and business was highlighted a number of times as a crucial way to take advantage of opportunities, focus resources and become more efficient.

“Listen to what individual communities want, without patronising and assuming you know best and be willing to explore new options...” Member of the public when asked about what needs to happen for communities to be more involved in delivering services.

4. Survey Analysis

Key findings from each of the questions in the survey are presented in this report. It should be noted that some of the following analysis is intrinsically subjective as it includes the interpretation of comments.

4.1 The impact of our approach to date

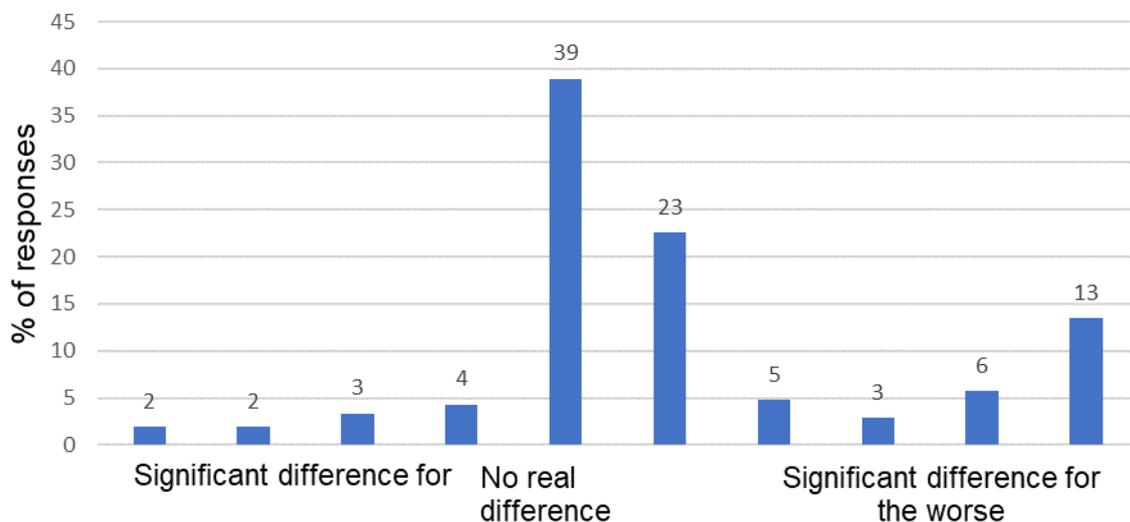
Respondents were asked to think about what the council has done recently and indicate to what extent the approach had made a difference to them personally.

"I have really noticed an improvement in the online service offerings and have appreciated this being shared via social media"

Member of the public aged 25-34

"Currently the online interactions are horrendous for things like planning, social work, housing and roads/repairs".
Member of the public.

Figure 2: Thinking about what we have done – has our approach made a difference to you?



n = 208

The majority of respondents thought the approach had made no real difference. 13% of respondents highlighted that the approach has had a made a significant difference for the worse.

Respondents were then asked to think about what the council has done recently and indicate to what extent the approach had made a difference to their family.

Figure 3: Thinking about what we have done – has our approach made a difference to your family?

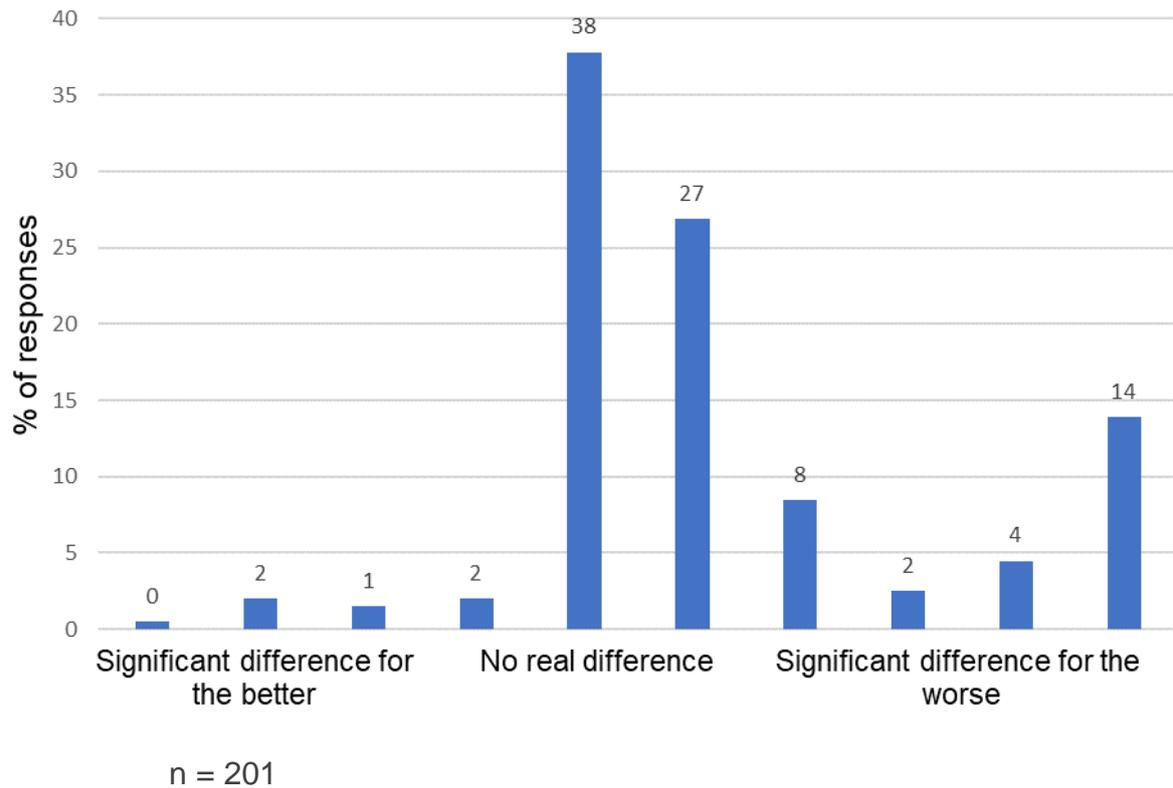


Figure 3 shows that the majority of respondents think the approach has made no real difference. However, more respondents thought it had made a significant difference for the worse than thought it had made a significant difference for the better.

Respondents were then asked to think about what the council has done recently and indicate to what extent the approach had made a difference in the wider community.

One Aberdeenshire Council employee noted:

“I am shocked at the use of contractors in Aberdeenshire schools. The workmen freely admit they do a poor job and charge a small fortune”

Figure 4: Thinking about what we have already done has our approach made a difference to the wider community?

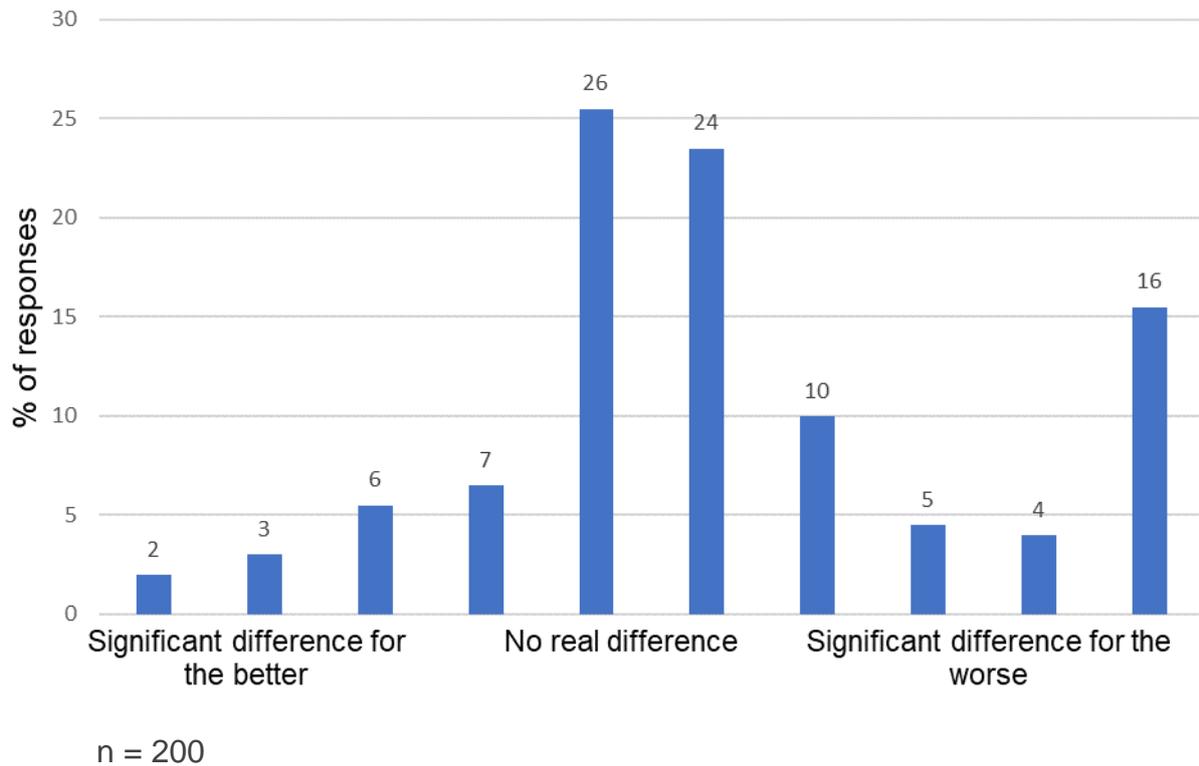


Figure 4 shows that respondents think there has been no real difference in the wider community from the approach the council has taken. More respondents thought it had made a significant difference for the worse than thought it had made a significant difference for the better.

4.2. Opportunities for doing things differently

Respondents were asked about a number of opportunities for doing things differently.

“Reduce the complexity and bureaucracy in your attempts to involve the community. if you want members of the community to get involved in things then cover them for the public liability and other insurance risks”

Member of a community group

Eighty-eight respondents provided comments when asked “Are there any other opportunities for doing things differently or savings that we should consider while we work towards achieving our Priorities?” Opportunities identified included:

- Involve staff to make efficiencies by asking for ideas
- Reduce management costs and expenses
- Reduce councillor costs (expenses and number of elected members)
- Focus on vulnerable groups
- Provide only statutory services
- Increase car parking charges
- Involve community in the design of services
- Make efficiencies in transport (public/school network and staff travel)
- Management training for staff
- Being more business-like in our approach
- Stop printing paper council tax bills/council house bills
- Acting preventatively to reduce future costs
- More collaboratively with other departments e.g. surface water management and flood risk
- Rationalisation of school estate
- A review of crucial staff and job roles
- Improvement in recycling
- Use existing skills to compete in the private sector e.g. maintenance, property development etc.
- Close offices that are not being used/close offices on Friday afternoon

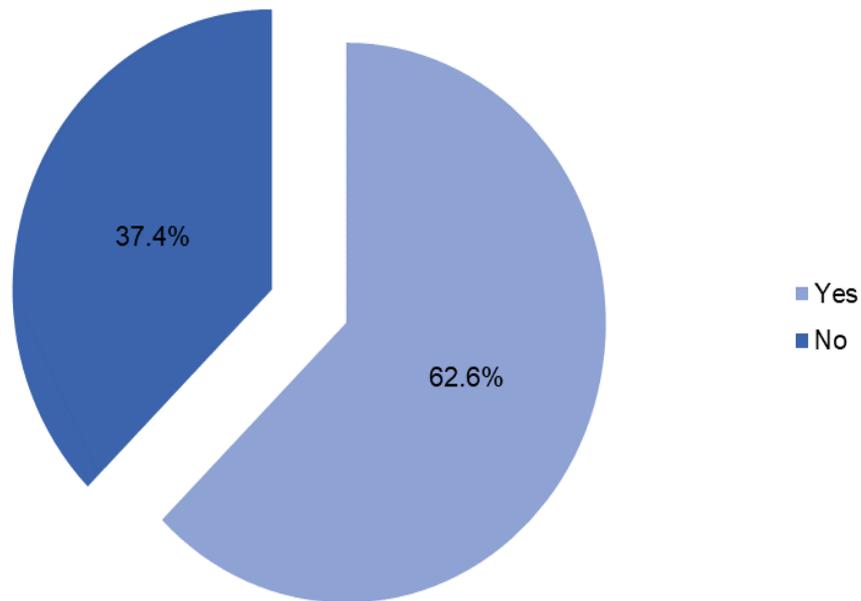
A member of the public - *“Don’t cut grass verges where not necessary but only in the summer or when there is a visibility hazard.”*

4.3. Working together with the community playing a greater or different role in how services are delivered

Respondents were asked if they thought they or their community could play a greater role in how services are delivered.

“More encouragement and help for communities to do more for themselves”
Member of the public

Figure 5: Could you or your community play a greater or different role in how services are delivered?



Total respondents = 171

Figure 5 shows the majority, nearly two thirds of respondents agree that they or their community could play a greater role in how services are delivered. Respondents were then asked to provide comments to understand what support would be needed for them or their community to play a greater role in how services are delivered. Fifty-six comments were received.

Suggestions about what support is needed to make this happen included:

- Investment community development and capacity building
- A change of culture, attitude and ethos
- Support for the third sector
- Support for Community Councils
- Share/provide professional skills for community groups e.g. HR, Legal, Finance
- Seed funding for new activity
- Encourage council staff to volunteer e.g. additional annual leave for volunteering.
- Guidance on what to do/when
- Having better communication between council employees, Elected Members and communities

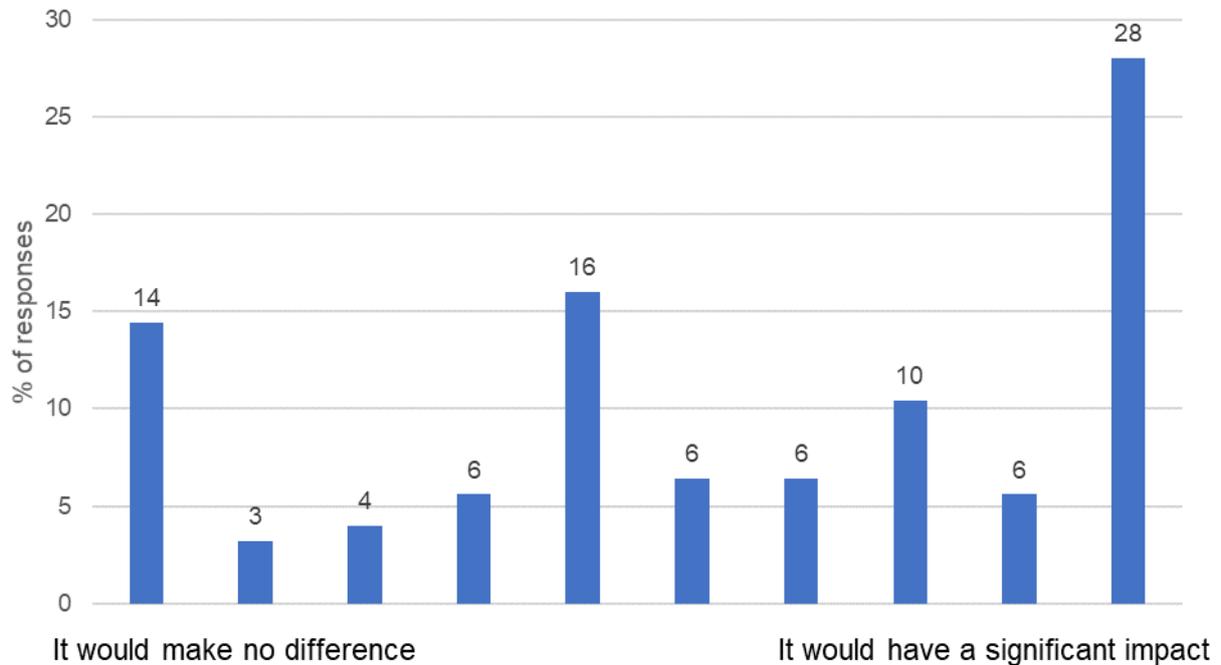
“Continued support to third sector organisations, AVA, and rural partnerships who provide the capacity building to enable communities to do more. If the council has a role, deliver it in a timely manner. Volunteers can be worn down by how slowly things can progress.”

Member of the public

4.4 Targeting resources

Respondents were then asked what the impact would be on them individually if the council target resources where they are needed the most.

Figure 6: What impact would it have on you if we target resources where they are needed the most? This could mean targeting our resources in one place over another or focusing on a particularly vulnerable group.

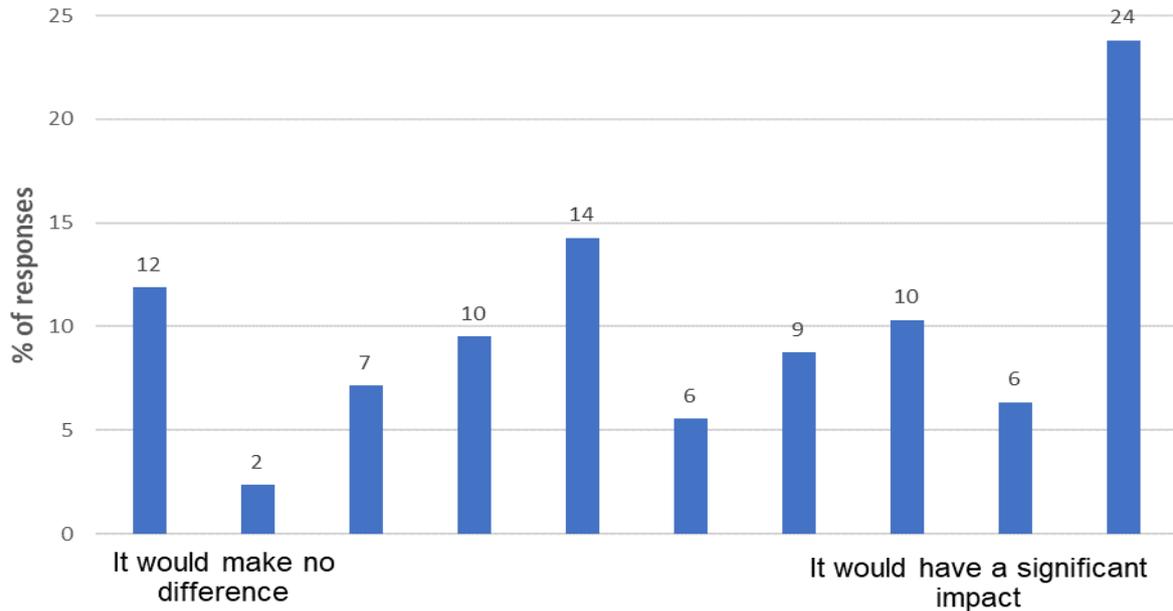


Total respondents = 135

Figure 6 shows that one quarter of respondents think that it would have a significant impact on them individually if the council was to target resources where they are needed the most. This has been interpreted as meaning a negative impact, however there is the potential that some respondents viewed it as a positive impact. Overall, the distribution of responses highlights mixed views between respondents.

Respondents were then asked what the impact would be on them individually if the council target resources where they are needed the most.

Figure 7: What impact would it have on your family if we target resources where they are needed the most?

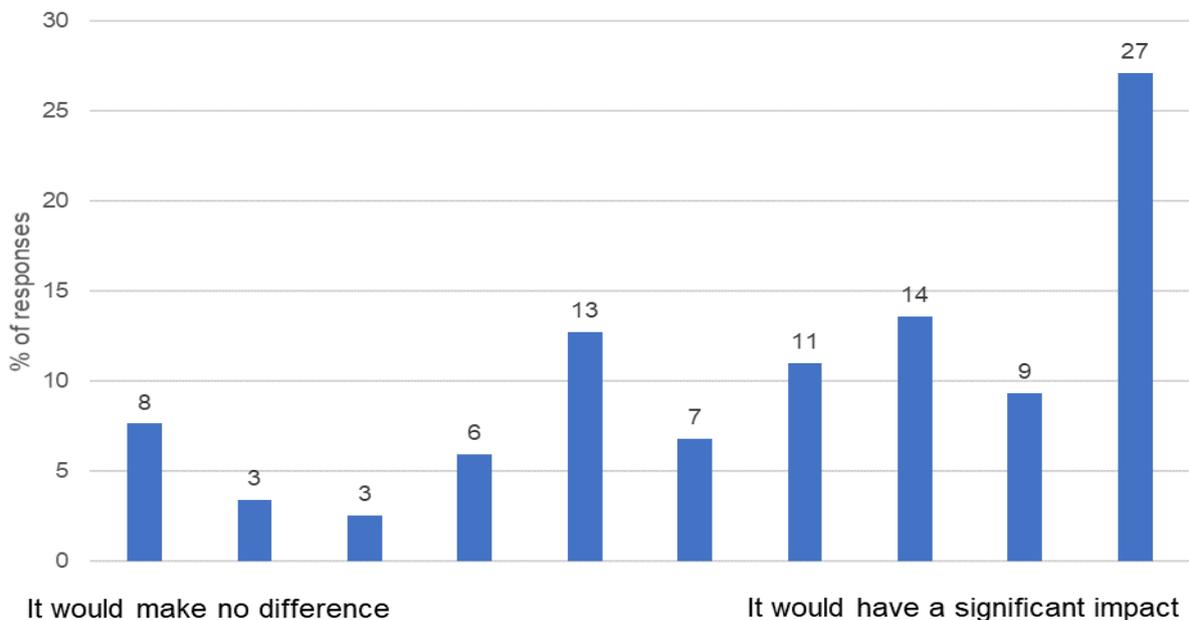


Total respondents = 132

Figure 7 shows that just under 25% or one quarter of respondents think that it would have a significant impact for their family if the council was to target resources where they are needed the most.

Respondents were asked what the impact would be for the wider community if the council target resources where they are needed the most.

Figure 8: What impact would it have on your wider community if we target resources where they are needed the most?



Total respondents = 132

Similar to the previous two questions, Figure 8 shows around one quarter of respondents think that it would have a significant impact for their wider community if the council was to target resources where they are needed the most.

When asked about the wider community rather than them individually or their families, respondents were more likely to indicate that it would have a significant impact if the council targeted resources where they are needed the most.

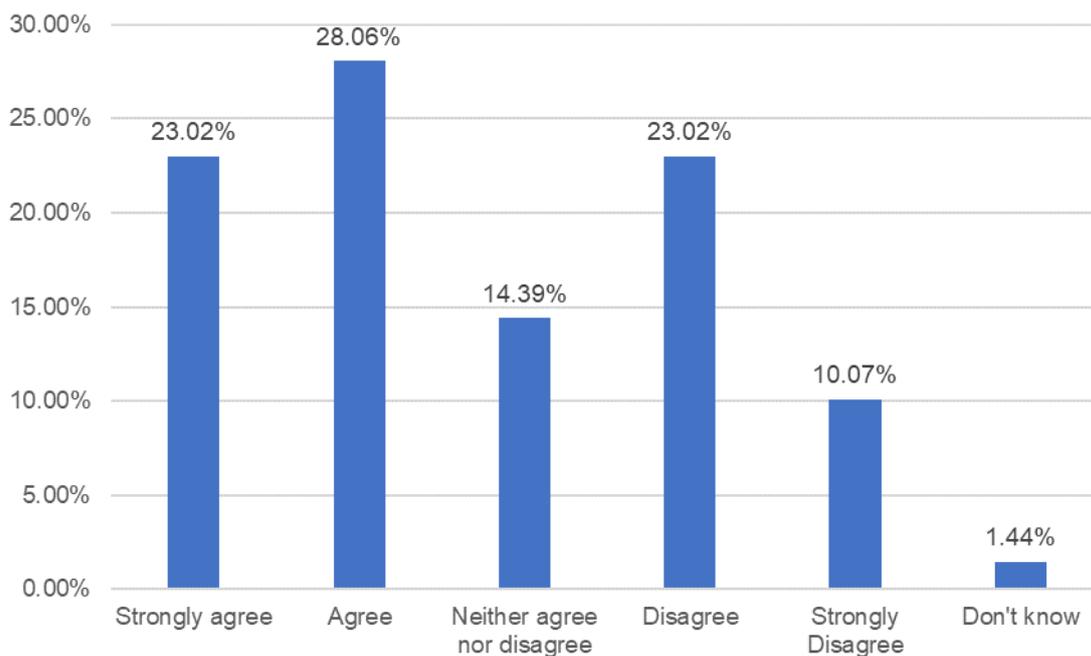
4.5 Generating income

Respondents were asked to what extent they agree that charges and fees for services should cover the full cost for delivering them.

“Charge full market price for catering, travel, tuition, sports, arts, leisure, parking, room hire etc. Do not subsidise anything at expense of education, health, road repairs”

Member of the public

Figure 9: Do you agree that charges and fees for services should cover the full cost for delivering them?



Total respondents = 139

Figure 9 shows that 51% of respondents agree or strongly agree (opposed to only 33% who disagree) that charges and fees should cover the full cost of delivering services. (14% neither agree nor disagree. 1% “don't know”)

Respondents were then asked to think if Council Tax is raised by 3% and charges or costs for other services also increase what impact would this have.

Figure 10: If Council Tax is raised by 3%, and the charges or costs for other services increase as well, what impact would this have for you and your family?

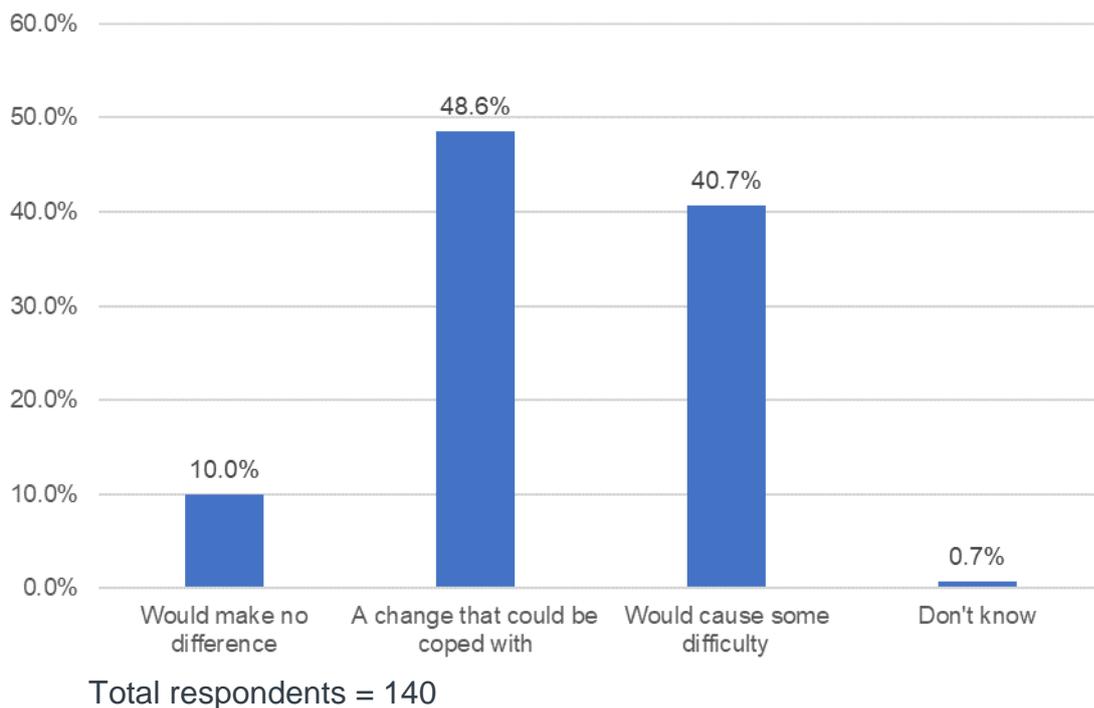


Figure 10 shows that the combination of an increase in Council Tax and the cost of other services is a change that would either make no difference or a change that could be coped with for the majority of respondents.

10% of respondents indicated that it would make no difference to them. Just less than half (48%) of respondents indicated that it would be a change that could be coped with 40% of respondents indicated that it would cause some difficulty. Less than 1% indicated they did not know.

To gain further insight respondents who indicated that an increase in both Council Tax and services would cause difficulty were asked what the council could do to lessen the impact of increased costs.

“Start by making efficiency savings within the Council ... to be more streamlined and much more aware of costs within the running of Services”

Member of the public

Thirty-eight respondents provided comments. Suggestions that were noted included:

- Regard given to parents with ASN caring responsibilities
 - More than one respondent noted specifically about the need to stop excluding children with autism
 - Concentrate on core services and reduce spending on services that only limited individuals benefit from
 - Stop wasting money
 - Reduce costs for certain people identified to be in the most need
 - More joined up thinking to avoid the burden of additional costs
 - Only charge for services that people choose to use
 - Listen to what services the community want locally
 - Charge proportionately more to those who can afford to pay more
 - Generate more income e.g. bus lanes and bus gates
 - Review management structure
 - Invest in quality of work to prevent recurring costs
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- “A 3% council tax rise as well as increasing costs of sport and leisure would have a huge impact. I’m a working single parent with a son with additional needs, so it’s already a tight budget. These increases would mean a reduction in his activities to cut costs.”*
- Member of the public
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