SUBMISSION FROM ABERDEENSHIRE COUNCIL

Spending Review

1. Aberdeenshire Council welcomes the return to a three-year settlement. Certainty in relation to grant allocations over the medium term is a prerequisite for strong financial management.

2. Whilst recognising the challenges of the election cycle, the Council would urge the Scottish Government to maintain the principles of a Spending Review covering at least a three-year period. Aberdeenshire Council maintains a rolling three-year budget, and is in the process of moving to a five-year budget.

3. If previous practice is anything to go by, in 2012 the Scottish Government will only announce updated grant figures for 2013/14 and 2014/15 i.e. a two year settlement. The Council would urge the Scottish Government to retain the principles of rolling budgets and a long-term financial strategy.

4. Aberdeenshire Council is committed to the Community Planning Partnership strategy and its Single Outcome Agreement. The Council is however concerned by the Scottish Government’s emphasis on input measures, for example maintaining police and teacher numbers. This has the effect on reinstating a form of ring-fenced grant and is not conducive to the successful delivery of local outcomes and priorities.

5. The Council maintains a strong relationship with other public and private sector providers, including the third sector, and supports a “mixed economy” of service provision. The current climate is very difficult, with the Council struggling to provide a guaranteed level of financial support to other partners in the current climate of public sector spending constraints. The decision to move to a single Police Force and Fire & Rescue Service for Scotland has introduced a further level of uncertainty at a local level.

Increased Demand for Services

6. Whilst the Council does try and take increasing demand for services into account in future financial projections, its main focus over the recent past has been to review how services are provided and to seek efficiency savings through more effective provision and re-design of services. This will continue to be a focus for the Council.

7. The Council does however face significant challenges in this context, with elderly population increases well in excess of national projections. The Council has therefore set “early intervention” as one of its key strategic priorities.
Public Service Reform

8. The Council is looking constantly at the way in which it delivers services and how it can work with other public sector bodies.

9. As stated above, the reform of the Police and Fire & Rescue Services will present additional challenges to development of local services and the setting of local priorities and outcomes.

10. The Council has endeavoured to work closely with Aberdeen City Council, and joint working has been particularly successful in procurement, transportation, and strategic planning.

11. The Council has operated an outcomes-based budgeting process, known as policy-led budgeting, for the past two years. This has resulted in all budgets being aligned to the Council’s strategic priorities.

Overall Funding Levels

12. Clearly the Council is unable to comment fully on its revenue income in 2012/13 until it receives notification of its actual grant settlement in December.

13. It is recognised that at an individual council level the settlement is not “flat cash”. The Council’s projections support a real cash cut in grant of approximately £31m over the next three year period. The impact is, however, amplified by demand-led and inflationary pressures.

14. The Council does recognise that it still has a significant budget with which to deliver a wide range of services to the residents of Aberdeenshire. However, the impact of the Scottish Government’s policy on teacher numbers and school rationalisation is currently being assessed and the Council believes that it will now not be able to deliver previously agreed savings of around £5m, which will create a further budget pressure.

15. The decision of the Scottish Government to withhold grant unless the Council agrees to freeze council tax has placed the Council in an impossible position, with no alternative other than to agree. The continuation of a freeze will further erode the council tax base and reduce future options for additional income. It is also worth noting that the Scottish Government is losing additional funding from the Department of Work and Pensions (DWP) through this policy in the form of support for council tax benefit.
Reducing Expenditure

16. All the items contained in your list are areas where the Council has either already reduced, or plans to reduce, financial support. The scale of savings required to balance budgets over the period 2011-13 meant the Council had to reduce budgets by £52m. This was achieved through a review of budget assumptions (including the pay freeze), efficiencies, and increased charges. Reductions to services accounted for £17m of this total.

17. Over this period it is estimated that staffing reductions of 10% (equivalent to 900 full time equivalent) will be required to retain a balanced budget position. The Council has no immediate plans to outsource services, but instead is focusing resources on working effectively and delivering efficiency savings. The Council believes that such improvements are essential before opportunities for outsourcing can be considered.

Capital Spending

18. Capital spending is viewed as an extremely important aspect of the Council’s asset management strategy. The Council has a very ambitious programme of investment in its assets, principally the school estate, whilst at the same time making better use of existing assets and disposing of those that are surplus to requirements.

19. The impact of the Scottish Government’s proposals to reduce capital grant over the next two years has still to be considered by councillors. Officers are however of a view that capital expenditure needs to be maintained in order to deliver its asset management strategy, and are considering additional borrowing and revenue savings to achieve this.

Equal Pay

20. The Council is nearing the end of its equal pay claims, and has very few such claims remaining. Provision has been made in our accounts for the estimated potential liability, and therefore there are no further budget implications arising.

Welfare Reform

21. The Council has not yet quantified the additional burdens arising from the UK Government’s Welfare Reform Bill, however we believe these to be significant. Work has just started to quantify the implications but it is recognised that it will be extremely difficult to obtain an accurate figure.

22. The Bill will make it extremely challenging for the Council to achieve the Scottish Government’s targets on Homelessness, and additional cost pressures are anticipated. The other financial area of concern is the level of arrears for council tax and housing rent.
There are no further issues that I would draw to the Committee’s attention.

Yours sincerely

Colin D Mackenzie
Chief Executive

20 October 2011