Aberdeen is a unique place in Scotland. Though the City has benefited from the prosperity brought by the oil and gas industry, now that the rest of the UK economy is recovering from recession, Aberdeen is experiencing a decline due to the drop in the price of oil. This is compounded by pressures on infrastructure, connectivity, housing and skills. The effects of this include job losses, falling property prices and loss of custom.

Despite this decline, Aberdeen City continues to make a significant exchequer contribution to Scotland and the UK and this is expected to continue into the future. At a Scottish level, for example, almost 8% of Non-Domestic Rates was raised within Aberdeen in 2015/16.

Through our Regional Economic Strategy the City / Region is continuing to support the oil & gas industry, but also taking a more sustainable, diversified approach by attracting non-oil business. The City Council is also leading the largest regeneration programme ever seen in Aberdeen to support vastly improved transport, connectivity and investment in the city centre.

Impact of Delay in Publication of the 2017-18 Draft Budget

Fundamentally, the continuation of one-year financial settlements makes it extremely difficult for councils to undertake accurate medium term financial planning.

The anticipated delay in publication of the 2017-18 budget is similar to that of last year. On that basis we are able to state the following:

In the 2016/17 process, the Council had to move back the date of its own budget setting meeting. The normal process would be to have an indicative budget approved at the Council’s Finance, Policy & Resources meeting in early December. We were not able to do that last year and will not be able to do so again. This, therefore, delays the consultation with elected members, public and staff.

Officers have to continue scenario planning rather than dealing with known specifics, which makes it more difficult to identify the impact on services, customers and staff.

For 2017/18 there remains some uncertainty around any potential increase in Council Tax – both in the percentage increase and in the proposed multiplier. There is further uncertainty around the education budget and the use of additional funding to support educational attainment. We are unclear whether we have the ability to offset any specific cost pressures within the education budget against any potential additional income.

Delay and uncertainty also creates difficulty for the annual billing process, which has to meet certain deadlines. The delay in the agreement for the budget as well as the
uncertainties surrounding the council tax changes will present challenges and may result in additional costs.

Further, recent settlements from the Scottish Government have required councils to “ring fence” or comply with various conditions such as teacher numbers, council tax freeze, IJB funding, and pupil teacher numbers. It is, therefore, vital that the Scottish Government provides either an early view of any such conditions or provides sufficient time to allow these to be assessed by councils. Alternatively, the settlement should come with no conditions.

Steven Whyte
Head of Finance
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