Local Government and Communities Committee

Scrutiny of the Draft Budget 2017-18

Submission from Aberdeenshire Council

Question 1: We want to hear your views on the impact of budget reductions to date on local services, etc

To date Aberdeenshire Council has actively sought to minimise the impact of budget reductions on direct service delivery by seeking efficiencies through improving processes, new ways of working through exploiting technology, shared services, rationalising assets and reviewing structures. There is an acknowledgement that the continued pressures mean the focus has to shift to towards seeking alternative delivery models, charging mechanisms and delivering changes to current provision – for example the Roads Winter Maintenance Plan.

Prior to setting the 2016/17 budget, a budget engagement exercise was conducted. The aim of this exercise was to seek the views of Aberdeenshire communities and employees around proposals laid out at the full council meeting held in November 2015. A total of 1,318 responses were recorded, 57% from residents and 41% from employees. The responses are a helpful source of information on the views and attitudes of residents and employees towards a range of proposals informing the council’s future budget considerations.

Question 2: We want to hear your views on the extent to which local authority spending decisions prioritise funding for policies that are likely to reduce inequalities.

Aberdeenshire Council continues to develop its budget setting process and has established a Medium Term Financial Strategy (MTFS). The MTFS represents a more collaborative approach to financial planning across Services and a more structured view of the revenue budget, Capital Plan and Council reserves allowing the Council to plan the full financial impact of decisions taken now on future years’ budgets. At the core of the MFTS is a continued focus on targeting resources towards the outcomes and priorities identified in the Council Plan 2013-2017, many of which support the reduction of inequalities:
Whilst the social impact tool referred to in the call for evidence has not been used by the council previously, through Equality Impact Assessments on proposed budget savings, the council seeks to understand, and where possible, mitigate negative impact on those with protected characteristics, particularly those characteristics which are more likely to experience inequalities such as older people and those with disabilities. The cross cutting assessment for all savings agreed for 2016/17 is available here - [http://www.aberdeenshire.gov.uk/media/16509/eia-budget-summary.pdf](http://www.aberdeenshire.gov.uk/media/16509/eia-budget-summary.pdf).

The Council Plan will be refreshed in 2017 and through a more robust evidence base and alignment with the budget setting process, the setting of the priorities for the next four years should maintain our ability to positively impact on reducing inequality during continued financial pressures.

**Question 3:** We therefore invite written evidence on how General Fund Balances are used by local authorities and in particular the extent to which the
General Fund Reserves are being used to offset savings in the short to medium term.

At 31 March 2016, Aberdeenshire Council held Usable Reserves of £60,061,000, broken down as follows:

<table>
<thead>
<tr>
<th>Account</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Balance</td>
<td>44,933</td>
</tr>
<tr>
<td>Housing Revenue Account</td>
<td>2,000</td>
</tr>
<tr>
<td>Repairs and Renewals Statutory Reserve</td>
<td>4,423</td>
</tr>
<tr>
<td>Insurance Fund Statutory Reserve</td>
<td>1,690</td>
</tr>
<tr>
<td>Capital Reserves</td>
<td>7,015</td>
</tr>
<tr>
<td><strong>Total Usable Reserves</strong></td>
<td><strong>60,061</strong></td>
</tr>
</tbody>
</table>

Of the General Fund Balance, £27,655,000 is earmarked for specific purposes and £17,278,000 represents the Working Balance. The Council’s reserves strategy aims to maintain a minimum Working Balance of £10,000,000 for emergencies, equivalent to approximately 2% of its General Fund expenditure. A Working Balance in excess of £16,000,000 was forecast when the 2016/17 budget was set, and as part of that budget setting, a further £6,085,000 was to be earmarked for specific purposes. This reduces the Working Balance to £11,193,000. The Council has since allocated a further £1,193,000 for specific purposes, which would return the Working Balance to its minimum £10,000,000.

None of the Council’s balances have been used on a one-off basis to offset savings in the short to medium term.

**Question 4: What are your views on the range of local authority activities that should be considered ‘local Government budget’ as compared with funding that is provided elsewhere but which may support local government activities and outcomes?**

The call for evidence quotes the example of the £250m provided to health boards in the 2016/17 budget settlement for health and social care, and asks if this could be considered as “local government budget”. As far as the Aberdeenshire Health and Social Care Partnership is concerned, the entire £9.45m share of the funding is being passed to Aberdeenshire Council in 2016/17 to contribute towards the cost of services traditionally provided by the Council. In particular, it is being used to help fund the increases in costs for care at home and supported living as a result of the increase in the living wage and fair work practices. It is the total cost of these services that will be reported in returns such as the Local Financial Returns, hence it would be logical to consider this funding as part of the local government budget.

**Question 5: In particular we want to hear your views on:**

How well the centrally managed funding programmes are managed, what outcomes they deliver and do they represent value for money?
To what extent are the innovative funding packages leading to a change in the way affordable housing is being delivered?

The extent to which the centrally managed funds support development of the appropriate mix of affordable housing to meet housing needs (such as mid-market rent as compared with social rent or private rent)?

In 2015/16 Aberdeenshire Council provided 84 affordable homes through the low-cost shared equity / home ownership scheme. This appears to be a successful model of delivering affordable housing and helps to create sustainable, mixed communities. It is important that commitment from the lending industry is maintained and strengthened to ensure that people can access mortgages through such schemes in the future.

The delivery of mid-market rent can be more challenging given the significant drop in rents in the private sector in the Aberdeen Housing Market Area. The viability of some mid-market schemes has been affected, particularly in light of the inability of Aberdeenshire Council’s limited liability partnership Create Homes Aberdeenshire to access the same grant that is available to RSLs. Nevertheless, Aberdeenshire Council sees the provision of mid-market rented housing as an important part of its local housing strategy in meeting affordable housing need.

Question 6: To what extent do the Resource Planning Assumption and the Strategic Local Planning Agreements processes effectively enable local housing needs to be prioritised and resourced?

Aberdeenshire Council sees affordable housing as a priority for Aberdeenshire and is supportive of the Scottish Government’s investment through the affordable housing supply programme. The processes supporting the allocation and management of funds through strategic housing investment plans, housing need and demand assessments and strategic local planning agreements appears to work well.

Aberdeenshire Council does not have full control over the spend of the nationally allocated affordable housing funds due to the reliance on the development industry to deliver affordable housing through section 75 agreements. The Council and the public sector have a limited landbank. Therefore annual budgets with no opportunity for carryover do not necessarily marry up with the nature of development and the influence of the market in the north east of Scotland.

Question 7: We seek written responses on whether the increased subsidy levels will support new housing developments; and in particular whether the flexibility in subsidies will improve the provision of housing for older people or for people with particular needs.

The increase in subsidy levels is welcomed and any future allocations for particular needs developments are encouraged by affordable housing providers in Aberdeenshire. The Council’s local housing strategy sets a target of 15% of all affordable need to be suitable for people with particular needs. It is important that there is flexibility in subsidy levels to ensure that these targets can continue to be met in the future.
Question 8: Do you have any other comments to make about the outcomes the Scottish Government seeks from its Housing Supply Budget and how it delivers those outcomes?

It is important to ensure that affordable housing is a priority for all public bodies and utilities. In many cases public bodies hold land that can be used for meeting local affordable housing need while utilities can have a large impact on the timelines for meeting that need.