



REPORT TO ABERDEENSHIRE COUNCIL – 8 FEBRUARY 2018

MEDIUM TERM FINANCIAL STRATEGY

1 Recommendations

It is recommended that Council:-

- 1.1 **Agree that the priorities identified in the Council Plan form the basis of the Medium Term Financial Strategy for 2018/19 and future years;**
- 1.2 **Agree that the Medium Term Financial Strategy (MTFS) is the framework for preparing the Council's budgets;**
- 1.3 **Agree to carry out an engagement exercise as part of the Medium Term Financial Strategy.**

2. Discussion

- 2.1 Aberdeenshire Council's MTFS represents a structured approach to financial planning across Services and sets out a complete view of the Revenue Budget, Capital Plan and Reserves allowing the Council to consider 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 structured approach has proved particularly important when combining service delivery considerations and financial planning in an environment of increasing demands, limited resources and single year Settlements.
- 2.3 For clarity, 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 It is important to remember the financial context in which the Council operates. On an annual basis, the Council has financial resources of some £1billion to deliver services across the activities of the General Fund and HRA through revenue budgets, capital plans, reserves and the Integrated Joint Board responsibilities.
- 2.5 The MTFS is a key part of the Council's budget setting process which aims to ensure that resources are aligned to the priorities and outcomes in the Council Plan. It outlines estimated available resources, financial consequences of demands on Services and financial pressures over a five year period. It is reviewed annually.

- 2.6 The context within which local government operates continues to be a dynamic one, particularly around funding levels with legislative requirements. Policy priorities and resourcing challenges at a UK and Scottish level continue to impact on local government.
- 2.7 Balancing future year's budgets whilst ensuring that the Councils priorities and outcomes are achieved, will be managed within the framework of the Medium Term Financial Strategy (MTFS). The MTFS covers the Revenue Budget, Capital Plan and Reserves for both the General Fund and the HRA.

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 55% 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 £860 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. Maintaining reserves is part of a prudent financial strategy and their management has formed part of the strategic financial plans of the Council. An updated position on reserves is reported to Council each time the revenue budget monitoring is considered.
- 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 reserves 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.
- 5.3 The use of these reserves is an important part of the discussions when setting a financial plan for future years.

6. Engagement

- 6.1 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.
- 6.2 Aberdeenshire Council have previously conducted major programmes of engagement to consider the Council Plan, including new Strategic Priorities and future budget considerations, and provide stakeholders with the opportunity to comment.
- 6.3 Engagement on the MTFs has been incorporated into this activity and will help to inform the strategy for 2018/19 and beyond.
- 6.4 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.

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