

Aberdeenshire Council 2024/25 Budget – Appendix 6

REVENUE BUDGET 2024-29

1. What is Revenue Expenditure?

- 1.1 This is the council's day-to-day expenditure, to deliver front line services in accordance with the Council Plan and associated priorities. It includes salaries, premises costs, utility bills and payments to suppliers. As a rule of thumb, if the expenditure is consumed in less than a year, then it is revenue. The council funds revenue expenditure through revenue income sources such as General Revenue Grant, Council Tax, Business Rates, and charges for the provision of some services. The Council plans to spend over £753m on revenue expenditure in 2024/25 to deliver its priorities.

2. The Budget Setting Process

- 1.1 The Council is legally required to set a balanced revenue budget for the 2024/25 financial year. This is detailed in **Appendix 8** together with indicative budgets for years 2025-2029.
- 1.2 The budget must reflect the planned expenditure and anticipated income for the year, and should consider all known financial resources available, including the Local Government Finance Settlement offered by Scottish Government, and any changes to Council Tax.
- 1.3 To ensure the adequacy of resources to deliver the Council priorities in 2024/25, a full review of all budgetary requirements and anticipated income levels was undertaken by budget holders.
- 1.4 Savings and efficiencies, and recognition and acceptance of risks have been identified both council wide and by individual services to bring about a balanced budget position.
- 1.5 As highlighted in the MTFs there are several external influences and risks that impact on the costs of delivering services which will require to be managed and mitigated through cost control and good financial management during 2024/25.

3. Local Government Settlement - Revenue

The revenue budget has been set within the context of the draft [Local Government Finance Settlement for 2024/25 which was issued by Scottish Government](#) in December 2023, (Annex 2) (also appended to the Council report Appendix 1) and is currently progressing through Parliament with the intention to be passed by the end of February 2024. This settlement may be subject to change until the Bill is passed by Parliament.

3.1. The draft Local Government Settlement includes:

- £950.9 million of funding that has now been baselined into the General Revenue Grant, as part of the Scottish Government's commitment under the Verity House Agreement to review ring-fenced funding;
- An additional £230 million to deliver the payment of £12 per hour minimum pay settlement for adult social care workers in commissioned services via agreed contract uplifts;

- An additional £11.5 million to support the uprating of Free Personal and Nursing Care rates.
- An additional £6 million to support the expansion of the Free School Meals policy.
- An additional £6.8million for Discretionary Housing Payments
- £145.5 million to support additional teachers and support staff.
- £242 million to support teachers' pay uplifts; and
- £266.2 million of resources to support local government pay.

The 2024/25 Scottish Government Draft Budget also made available £144 million to fund a freeze in Council Tax across each of Scotland's 32 local authorities. Scottish Government have advised that the funding earmarked is equivalent to a 5% net increase in Council Tax nationally, considering the average risk to Council Tax in 2023/24, whilst recognising that inflationary pressures have eased in the last 12 months.

This funding amount has subsequently been increased to £147.3 million ensuring that all Council's receive a 5% increase as compared to the total estimated revenue net of Council Tax Reduction for 2022/23. This does not impact Aberdeenshire Council's share.

3.2. The draft Local Government Settlement – what it means for Aberdeenshire?

1.5.1 Compared to the estimated income for 2024/25 the draft settlement sees the Council receive an increase in funding from Scottish Government of £16.973 million. Of this, £10.345 million will be passported to the Aberdeenshire Health and Social Care Partnership.

1.5.2 The Scottish Government has also provided the offer of funding to support a freeze in Council Tax of £7.963 million.

1.5.3 There is therefore an overall increase in revenue funding from the Scottish Government of £14.591 million as compared to the flat cash assumptions.

1.5.4 The Draft Settlement revenue allocation for Aberdeenshire Council is set out below:

	Base Budget Assumption 2024/25 £m	Draft Settlement 2024/25 £m	Movement 2024/25 £m
Specific Revenue Grants	30.200	6.056	(24.144)
General Revenue Funding	390.847	435.586	44.739
Non-Domestic Rates	134.839	131.217	(3.622)
Total General Revenue Funding	555.886	572.859	16.973
Funding to be passported to the HSCP			(10.345)
Overall increase in Revenue Funding, before any Council Tax increases			6.628
Council Tax Freeze Funding			7.963
Overall increase in Revenue Funding			14.591

3.3. Implications of specific changes in the settlement

- 3.3.1 As noted above, we have assumed the passporting of funding to the Health and Social Care Partnership of £10.345 million in relation to Free Personal and Nursing Care and adult social care pay in commissioned services.
- 3.3.2 In addition, we have assumed that the Aberdeenshire share of the £230 million to deliver the real living wage will also be passported to the Health and Social Care Partnership in full.
- 3.3.3 The ring-fenced funding relates to Pupil Equity Funding (PEF) (£3.240 million) and Criminal Justice Social Work (£2.818 million). The PEF funding was a commitment by the Scottish Government for a 4-year period to 2025/26 to help with long-term planning. The Council is permitted to carry any unspent monies forward into the next academic year and any unspent monies could be requested to be repaid. The Criminal Justice Social Work Grant is passported to the IJB and has historically been used in full.
- 3.3.4 As part of the Councils budget settlement for 2023/24, the Scottish Government advised that they were withholding confirmation of an element of teacher funding until March 2024. This funding will only be guaranteed to Councils on the condition that teacher (full time equivalent) and pupil support assistant hours numbers in post have been maintained at 2022/23 levels. This funding for Aberdeenshire is £2.305m. As part of the 2023/24 budget setting, we assumed that we would receive all funding with no reduction for the teacher numbers.
- 3.3.5 October 2023 census figures reported a reduction of 12 FTE teachers and 300 hours Pupil Support Assistants due to difficulties recruiting to certain areas and the changes implemented to Primary teaching staff allocation formula from August 2023. We have received confirmation from the Cabinet Secretary for Education and Skills that they will not ask for the return of this funding.
- 3.3.6 This condition to funding is applicable for 2024/25, requiring the ongoing risk to be managed.

3.4. Changes to the draft Local Government Settlement

- 3.4.1 Stage 3 of the Budget Bill will be considered by Scottish Government at the end of February 2024. MSPs can propose further changes to the Bill at this point, once finally agreed the Bill becomes an Act. In previous years there have been changes to the final settlement to Local Authorities, as Aberdeenshire Council sets its budget in advance on the Scottish Government it is proposed that any additional funding received be transferred to reserves and consideration for its use be reflected in the review of the MTFs during 2024/25.

3.5. Future years assumptions

- 3.5.1 As indicated in the Medium-Term Financial Strategy it is custom and practice that a prudent flat cash value is used when reflecting the estimated General Revenue Funding for future years, and therefore unless advised otherwise in the final settlement the funding as detailed in paragraphs 2.1 and 2.2 above will be the assumed Scottish Government Funding for 2025/26 to 2028/29 and reviewed through the budget setting process on an annual basis.

There is a risk that some of the funding streams are not recurring or may be subject to a change in value.

The Council's expected level of income over the next 5 years is summarised below, incorporating an estimated increase of 500 new homes each year.

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Revenue Support Grant	452	452	452	452	452
Business Rates	133	133	133	133	133
Council Tax	168	169	169	169	170
General Capital Grant	20	20	20	20	20

3.6 2024/25 Budget

3.6.1 Out of Balance Position

3.6.2 Aberdeenshire Council started the 2024/25 budget process with an out of balance position of **£28.849 million** as the Year 2 budget presented to Council in March 2023 as part of the MTFS 2023/24. This was in part due to the inflationary impact on budgets, including 3% assumed against staff costs.

3.6.3 In November 2023, [Council](#) was advised of an anticipated out of balance position of £65m, brought about by the impact of the 2023/24 pay settlement requiring the pay award projections for 2024/25 to be increased by £10m, with potential service budgetary increases forecast at around £23m. Increased budgetary pressures, totaling approximately £3m, stemmed from shifts in demand and emerging legislative obligations. The increase in service budgetary needs resulted from a heightened awareness of risks undertaken in 2023/24, augmented by inflationary factors and increased contract costs surpassing prior assumptions. Additionally, an acknowledgment that societal shifts following the pandemic influenced chargeable services, including car parks and leisure facilities. As we went through the budget process the out of balance position increased to £67.063m as we considered further possible price changes and additional service demand.

3.7 Budget pressures 2024/25 and over the MTFS period

3.7.1 Forecasting the future in an unpredictable world is challenging. The Council delivers vital public services to benefit individuals and businesses. These services must remain adaptable to the dynamic needs of our stakeholders, even amidst uncertain future funding.

3.7.2 To help us plan for a range of possibilities, we have developed a set of assumptions covering different aspects of our income and expenditure. We have set out in **Appendix 3A** the key assumptions and describe the variations to the key assumptions within the MTFS. The main pressures impacting the budget position are outlined below.

3.8 Inflation

The Financial Strategy makes allowance for £52 million of inflation over the next 5 years from 2024/25 to 2028/29, an average of £11 million per year. It factors in a general inflation

factor for areas of discretionary expenditure, contract specific inflationary increases have also been applied where we have contractual commitments, such as PFI/ PPP contracts and school transport contracts. The Strategy also assumes an inflationary uplift on fees and charges where they can be borne by the market.

3.9 Employer Pension Contribution Changes

3.9.1 The most recent actuarial valuation showed that the Scottish Teachers Pension Scheme (STPS) is in a deficit position and as a result, the employer contribution rates are due to increase from 1 April 2024 by 3%. The MTFs assumes that this will be funded by Scottish Government following receipt of UK Govt Consequentials.

3.9.2 The most recent actuarial valuation undertaken by the North East Scotland Pension Fund, which operates the local government pension scheme on behalf of the Council, has resulted in a surplus position [Annual Accounts 2022-23](#). As a result, the Council can reduce its contributions. Following consideration of actuarial advice, the Council will reduce its contributions from 19.3% to 16% over the period of the MTFs. The period of reduced contributions is, however, not guaranteed and would be re-assessed at the next valuation in 3-years' time.

3.10 Pay Award

3.10.1 Provision of £67 million has been made for the costs of anticipated pay awards for the period covered by the Medium-Term Financial Strategy. The Strategy provides for a pay award of 3% annual pay award for the 5-year period.

Pay Award Pressures	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Teachers	5.542	5.897	6.075	6.260	6.447
Local Government	6.916	7.152	7.367	7.587	7.813

3.10.2 As explained in the MTFs, any future changes affecting these assumptions, for example a higher pay award than 3%, will impact the MTFs, and mitigation will be required to be found to bring future budgets to a balanced position.

3.11 Loans Fund Costs

3.11.1 Over the 5 year MTFs, the estimated cost of borrowing to meet the planned capital investment as reflected in the Capital Plan is around £250m.

	2024/25	2025/26	2026/27	2027/28	2028/29
Borrowing costs £m	41.00	47.00	51.00	54.00	57.00

3.12 Reclassification of Roads Expenditure

In the past, roads maintenance expenditure has been categorised as either capital or revenue. Historically, we've allocated around £7 million per year of revenue expenditure to capital, as it contributes to extending the life of the roads network asset. However, due to

evolving repair requirements, fewer expenses qualify as capital. As a result, the classification of capital expenditure is reduced to £5 million for the remainder of the Medium-Term Financial Strategy (MTFS) period.

This will reduce the expenditure reflected in the capital plan but may necessitate additional revenue funding in future years or a reduction in the number of road repairs.

3.13 Estimated Funding Gap Projections

Over the 5-year MTFS period the funding gap is £113 million, below shows the annual increase and the reasons for the increases.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Revenue Support Grant	452	452	452	452
Council Tax	168	169	170	170
Business Rates	133	133	133	133
Total Revenue	754	758	759	759
Estimated Net Expenditure	784	817	847	872
Cumulative Funding Gap	30	58	88	113
Comprising cumulative impact of:				
Inflation	11	20	29	38
Pay award and pensions	13	26	40	53
Savings agreed in 2024/25 for future years	(1)	0	0	0
Service concession	(1)	(2)	1	1
Borrowing costs	6	9	13	16
Reduction in revenue funded from capital	2	2	2	2
Peterhead campus – LEIP funding	0	(4)	(4)	(3)
Peterhead campus – running costs	0	8	8	8
Council Tax – increase in base	0	(1)	(1)	(2)

3.14 Health and Social Care Partnership

- 3.14.1 The pressures highlighted above do not reflect the pressures for the Health and Social Care Partnership.
- 3.14.2 The Integration Joint Board will consider the 2024/25 budget for our Health and Social Care Partnership on the 20 March 2024. As in previous years the Council will passport all the additional funding identified in the settlement to the Health and Social Care Partnership.
- 3.14.3 As reported to [The Integration Joint Board in December 2023](#) the Partnership are projecting an overspend position for 2023/24 of £12.3 million, which is being reduced to £3.9 million using all reserves, this forecast was based on the financial information to September 2023 and may be subject to change through to the end of the Financial Year. The key challenges facing the Partnership in 2023/24 are as follows
- Increased cost and demand within GP prescribing
 - Increased cost and demand within Adult Services – Community Care
 - Locum costs following the cessation of 2 GP practices within Aberdeenshire.
 - Increased cost and demand for Older Peoples Residential Care
- 3.14.4 If the above projection materialises, the Council will be required to allocate £1.6m of additional funding to bring about a break-even position in 2023/24.
- 3.14.5 In the 2023/24 Budget setting process we set aside £3.991m in reserves to mitigate the impact on the Council of any future out of balance position by the Partnership. If any request for additional funding could not be met from the Council's revenue account, then this reserve would be required to be used, and would reduce the contingency for any future out of balance position.
- 3.14.6 Under the [Health and Social Care Integration Scheme for Aberdeenshire](#) if the Health and Social Care Partnership if an over budget position occurs that cannot be mitigated using reserves, the overspend is required to be met from both partners – Aberdeenshire Council 40% NHS Grampian 60%
- 3.14.7 A request for additional funding from the HSCP would require the Council either to draw down on reserves or would necessitate a reduction in the delivery of Council services during the year to mitigate.
- 3.14.8 It should be noted that the financial arrangements for the Council's funding to the HSCP are aligned and budget processes run parallel to ensure that appropriate budgets for the HSCP are aligned with Council policy and budgeting approaches. On an ongoing basis, the Council continues to receive budgetary control information in relation to HSCP services funded by the Council.

4 Balancing the Budget

Changes to budget assumptions and settlement

- 4.6 Considering the fluctuating nature of inflation, price fluctuations, and interest rates, it was wise to acknowledge and embrace a certain level of risk, acknowledging the potential for inflation reduction in the upcoming financial year. This risk acceptance led to a decrease in the out of balance position, subsequently reducing it by £8.970m.
- 4.7 The previously agreed reduction of £2m of revenue expenditure classified as being eligible to be funded from borrowing was reinstated in both the revenue and the capital budgets.
- 4.8 Settlement changes and Scottish Government Funding assumptions were as follows:

Reduction in Specific Grants	(24.144)
Increase in General Revenue Funding	44.739
Reduction in Business Rates	(3.622)
Council Tax Freeze	7.963
Funding to be passported to HSCP	(10.345)
Funding for Teachers Pension	4.670
Funding for staff delivering ELC in private and 3 rd Sector	0.816
	20.077

- 4.9 Pay award changes – following the pay award changes for 2023/24 our 2024/25 base budget was increased by £3.284m.
- 4.10 Pension changes - teachers – following the deficit on the teachers' pension scheme the overall increase in pension costs for 2024/25 was increased to £4.67m, of this £2.71m was reflected in the out of balance position.

Budget Efficiencies and Savings

Following the changes to the settlement and the budget assumptions the remaining out of balance position of £35.445m was closed by the following actions :-

4.11 Savings proposals

Savings proposals of £17.355 million of which £15.490 million are directly attributable to services and a further £1.865 million are cross council savings.

Detailed savings proposals are shown in Appendix 7.

4.12 Transformation

- 4.12.1 As part of our Transformation Programme some £6.2m of savings have been identified against the following themes:-

- Organisational Design and Operational Structure

- Building and Estate
- External Collaboration and Partnership
- Big Data, Digital, and Technology
- Transport

4.12.2 Big Data, Digital, and Technology

This will build on the existing digital strategy, exploring use of AI and enterprise architecture and be bringing forward a number of proposals for corporate bookings, CRM, automated invoices, and payments, with a review of all transactional activity, and end to end processes. With an estimated saving of around £2m

4.12.3 Organisational Design and Operational Structure

This will focus on Redesign of the Governance Model and Leadership and Management arrangements, with savings of around £0.750m

4.13 Business Rates – Policy Change

4.13.1 In Scotland, non-domestic rates, also known as business rates, is a property tax that helps pay for local council services. The rate is set by Scottish Government and councils administer and collect them.

4.13.2 The income collected is pooled in a central fund managed by Scottish Government and the pooled reserve is then redistributed across all local authorities on a predetermined formula aimed at promoting financial equalisation.

4.13.3 The amount businesses need to pay is based on:-

- The value of the property (rateable value) - set by independent assessors.
- A national poundage, a rate that is the 'pence per £1 of rateable value' to be paid - set annually by the Scottish Government
- Any rates relief (discounts) the property is in receipt of

4.13.4 From 1 April 2023, discounts available for empty non-domestic properties is now determined by the Community Empowerment (Scotland) Act 2015 Part 11. A rating authority may, in accordance with Part 11 of this Act reduce any rate levied by it in respect of lands and heritage but any scheme must have regard to the authority's expenditure and income and the interests of persons liable to pay council tax set by the authority. Part 11 does not allow any additional premiums to be added to the full charge for Non-Domestic Rates.

4.13.5 Empty properties are defined as those rateable properties which are not currently occupied. As a result of the 2017 Barclay Review the Scottish Government devolved responsibility for the determination of empty property relief (now referred to as discount) to Scottish Local Authorities from 1 April 2023.

4.13.6 For tax year 2023/24 Aberdeenshire Council took the decision to retain the same levels of discounts applied in 2022/23, however as part of the 2024/25 budget setting a revised policy has been developed which will be effective from 1 April 2024 – **Appendix 10.**

- 4.13.7 The policy is designed to encourage property owners to put empty business rate properties back into use and to give an initial period to businesses and landlords to find a new tenant or owner. It progressively removes the discount afforded to empty property owners to encourage action to get the property back into use and explains the financial implications if the property remains empty.
- 4.13.8 The current cost of empty property discounts for non-domestic properties within Aberdeenshire Council's area is approximately £2.3m. As of the 1 April 2023 funding has been allocated to each local authority through the annual budget settlement.
- 4.13.9 Scottish Government is providing funding annually, as a fixed amount, to each Local Authority. This amount will be reviewed in-line with the next Revaluation in 2026. Aberdeenshire Council is currently receiving £2.8m each year. This may be reduced in future years therefore it is prudent to carry this amount as a potential funding reduction risk from 2026/27 onwards. The revised policy will reduce the cost of empty properties with some £2m of income available to the Council, this value could vary throughout the financial year with the potential for further properties becoming vacant in 2024/25 and entitled to a discount. This would also require to be revisited in the 2025/26 budget setting process. It should also be noted that there could be an increased risk of fraudulent discount applications and attempts to avoid paying taxes in the Business Rates.

4.14 Council Tax – Policy Change

- 4.14.1 The Financial Strategy proposes changes to the policy for Council Tax Empty Properties and Second Homes.
- 4.14.2 Empty property discount for Council Tax is determined by The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013. These regulations provide Councils with the discretionary power to vary the rate of discounts allowed in respect of empty properties and impose an increase of the 100% premium.
- 4.14.3 The purpose of the current unoccupied properties policy and associated legislation is to provide an additional tool to help local authorities encourage owners to bring empty properties back into use, both to increase the supply of housing for those who need homes and to reduce the impact on communities caused by houses being left empty and allowed to fall into disrepair.
- 4.14.4 Under the existing current policy an empty property's owner incurs a 100% premium on Council Tax after the property remains vacant for two years, starting from the third year. The proposed revised policy in **Appendix 9** suggests implementing the 100% premium after one year of vacancy, which would begin at the start of the second year the property remains empty.
- 4.14.5 Legislation brought in by the Scottish Government also allows for Councils to charge 100% premium on Council Tax for Second Homes from 1 April 2024. This change is reflected in the revised Policy contained in **Appendix 9**.
- 4.14.6 Based on the current Council Tax charge and the number of second homes the total value of Council Tax income currently generated is £1.747m. If the Council Tax premium of 100% is applied, income will increase to £3.494m.

4.15 Cap on Borrowing

- 4.15.1 A review of the Council's Capital Plan in 2023/24 found it no longer affordable in its current form, prompting necessary changes.
- 4.15.2 Various methods were considered to ensure borrowing remains affordable over a 15-year period.
- 4.15.3 The cost of borrowing is primarily influenced by prevailing interest rates, making a fixed loan quantity limit overly simplistic for long-term borrowing models.
- 4.15.4 Therefore, we set a cap of 8.5% on maximum borrowing cost as a percentage of net revenue streams, excluding PFI/PPP payments, which represent around 1% to 1.5% of net revenue streams for Aberdeenshire Council.
- 4.15.5 Implementing this cap allows the Council to align borrowing requirements with forecasted interest rates and expected income stream increases, facilitating necessary adjustments to the capital plan while maintaining financial flexibility.

4.16 Voluntary Severance

- 4.16.1 Following the conclusion of the voluntary severance programme in 2023/24, recurring savings of £1.88m of which £166,000 from within the HSCP. Of this £1.143m was not specifically reflected in the Service savings proposals. The costs incurred in 2023/24 of £1.990m will be met from the Transformation Reserve.
- 4.16.2 Voluntary severance is available for services as part of the service review process, and whilst there isn't a Council wide programme planned for 2024/25 at the time of writing this may be reconsidered during the period of the MTFS as an option to further reduce costs.
- 4.16.3 With all savings proposals, there is a risk that these will not be achieved in year due to demands on service delivery and other unexpected factors which may prevent or delay the proposed changes to be implemented. The achievement of these savings will be managed throughout the year by services and where a saving is unlikely to be achievable, Directors will report to the relevant Policy Committee how the resultant budget pressure will be addressed timeously.

4.17 Fees and Charges

- 4.17.1 Fees and charges play a crucial role in allowing us to balance our budget, it helps us offset costs and maintain services. Councils are able to use discretionary fees and charges to generate income and allow councils to collect funds for services they have the power (but not the duty) to provide. Income earned from these charges is restricted to the cost of providing the services.
- 4.17.2 The revised fees and charges effective from April 2024 are shown in Appendices 11 and 11A.

4.18 Fiscal Flexibilities

4.18.1 Scottish Government published Local Government Finance Circular 10/2022 which enables Councils to use flexibilities around the treatment of certain Service Concessions to enable budget to be released. The change in the treatment was agreed as part of the 2023/24 MTFS and Budget setting process. The value that can be applied in 2024/25 is **£5.497 million** applicable amounts for the remainder of the MTFS will be confirmed as part of future budget setting processes.

4.19 Trading Accounts

- 4.19.1 Currently, our council maintains several trading accounts, a holdover from the era of compulsory competitive tendering for services. While these accounts enable benchmarking against other councils and private sector entities, their operation is labour intensive and prone to inefficiencies.
- 4.19.2 They pose challenges for budget holders in daily budget management and hinder elected members' understanding of service delivery costs. Removing these accounts aligns with the Council's strategic initiative to enhance efficiency by reducing finance and administration overheads.
- 4.19.3 Benchmarking data will now be generated through existing systems, streamlining Processes, and enhancing effectiveness.
- 4.19.4 Whilst the 5-year indicative budget continues to reflect the trading account information, it is the intention of the service to remove these during 2024/25 and report to Infrastructure Services Committee the implications of so doing.

4.20 Use of Reserves

We are not proposing the use of reserves to balance the 2024/25 revenue budget.

4.21 Breakdown of Balanced Position

Out of balance position		67.063
Budget assumptions and Settlement changes		(31.618)
Revised Out of Balance		35.445
Savings and Efficiencies		
Policy Change – Business Rates	(2.000)	
Policy Change – Council Tax	(1.747)	
Cap on borrowing – Capital Plan	(7.000)	
Voluntary Severance	(1.143)	
Transformation	(6.200)	
Savings	(17.355)	
Total		(35.445)

4.22 Risks

Budget assumptions

As with any budget setting, assumptions have had to be made as set out in **Appendix 3A**, some of which could have significant financial risks. These financial risks are detailed in the **Budget Risk Register** at **Appendix 3B**. These relate to assumptions around income generation, demand, and demography in relation to the delivery of Council services.

The uncertainty surrounding future inflation rates, pay awards and interest rates makes the impact of any of these risks potentially substantial were they to crystallise. It is possible that further use of reserves or additional savings will be required to be identified if even one or two of these risks materialise in the year. These risks will be managed by services and the impact reported regularly by Directors to Policy Committees with actions to mitigate them.