

The changes proposed by the Opposition Group are shown in red below:-

22 FEBRUARY 2024

ABERDEENSHIRE COUNCIL BUDGET 2024-25

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1.1 The Council is recommended to:

Settlement

- 1.1.1 Agree acceptance of the funding package from the Scottish Government which includes £7.963 million for the acceptance of a Council Tax Freeze in Appendix 1, subject to Parliamentary approval of the Scottish Government Budget;

Medium Term Financial Strategy

- 1.1.2 Agree the Medium-Term Financial Strategy (MTFS) as detailed in Appendix 2;

Capital Budget

- 1.1.3 Agree the **amended Opposition Group** 5-year Capital Plan for 2024/25 to 2028/29 and the indicative high-level capital spend and funding estimates that fall within the affordability limits set out in the MTFS as detailed in **Appendices, 4AX and 4BX** for the period through to 2038/39;
- 1.1.4 Agree to receive regular update reports on the progress of the Capital Plan and borrowing costs;

Treasury Management

- 1.1.5 Approve the Treasury Management Strategy (TMS) and Annual Investment Strategy for 2024/25 as set out in Appendices 5 and 5A;
- 1.1.6 Agree the Prudential Indicators and Limits for 2024/25 as set out in Appendix 5A and note the indicative indicators and limits for 2025/26 and 2026/27;

Revenue Budget

- 1.1.7 Agree the **amended Opposition Group proposed** Revenue Budget for 2024/25 as detailed in **Appendix 6X**, including the proposed savings shown within **Appendix 7X**;
- 1.1.8 Agree the indicative Revenue Budgets for 2025/26 to 2028/29 as detailed in **Appendix 8X**;

- 1.1.9** Note the financial risks associated with this budget as set out in Appendix 3B;
- 1.1.10** Agree that Policy Committees will receive regular financial performance monitoring updates which encompasses progress with savings and managing of risks;

Council Tax Policy

- 1.1.11** Approve the Empty Property and Second Homes Council Tax Policy as shown within Appendix 9 with effect from 1 April 2024;

Business Rates Empty Property Policy

- 1.1.12** Approve the Business Rates Empty Property Policy as shown within Appendix 10 with effect from 1 April 2024;

Fees and Charges

- 1.1.13** Agree the proposal for revised fees and charges from 1 April 2024, as detailed in Appendices 11 and 11A;

Reserves

- 1.1.14** Agree the **amended Opposition Group** reserves strategy, being the principles for managing and using reserves, as detailed in **Appendices 12X and 12AX**;
- 1.1.15** Agree to (i) **a reduced** Working Balance of **£7m**, (ii) the creation of the Place Strategy reserve of **£1.4m**, from the reduction in the Regeneration and Priority Town existing reserve;
- 1.1.16** Agree that any out of balance position in the Council Revenue Budget 2023/24 be funded from the Risk and Inflation Reserve;
- 1.1.17** Agree that Aberdeenshire Council's share of any out of balance position in 2023/24 for the Health and Social Care Partnership be funded from the Risk and Inflation Reserve – Health and Social Care Partnership;
- 1.1.18** Agree that **£1.990m** of the Transformation Reserve be released to fund the voluntary severance costs for staff leaving the organisation in 2023/24.
- 1.1.19** Note that the final level of reserves may be subject to change following the conclusion of financial year 2023/24 and agree to receive a further update following conclusion of the annual accounts process;

Monitoring

- 1.1.20** Agree that work continues to balance the future years revenue budgets as part of the Medium-Term Financial Strategy supported through the Council's planned transformation programme;
- 1.1.21** Agree that Revenue, Capital, and Reserves continue to be the subject of Financial Performance Reporting throughout 2024/25; and
- 1.1.22** Agree that a revised Medium-Term Financial Strategy, including a draft revenue and capital budget and reserves position for 2025/26 be considered by Full Council in November 2024.

OPPOSITION	Appendix 4AX							
Capital Plan - General Services	Proposed Budget 2024/25	Proposed Budget 2025/26	Proposed Budget 2026/27	Proposed Budget 2027/28	Proposed Budget 2028/29	Indicative budget 2029/30-2033/34	Indicative Budget 2034/35-2038/39	Total Proposed - 15 year plan
	£000	£000	£000	£000	£000	£000	£000	£000
SUMMARY								
Business Services	18,427	4,130	5,350	5,350	5,350			
Communities	5,829	3,804	895	800	800			
Education and Children's Services	17,756	75,195	61,476	13,646	16,098			
Infrastructure Services	42,908	28,683	20,912	19,803	19,633			
Infrastructure Fund 1	4,860	3,000	2,220	3,200	3,230			
Infrastructure Fund 2	5,772	1,350	3,000	3,000	3,000			
City Region Deal	61	2,384	0	0	0			
TOTAL GROSS EXPENDITURE	95,613	118,546	93,853	45,799	48,111	170,755	174,238	746,915
FINANCING								
Scottish Government								
- General Capital Grant	19,695	19,695	19,695	19,695	19,695	98,475	98,475	295,425
- Specific Grant - Cycling and Walking	1,161	1,161	1,161	1,161	1,161	5,805	5,805	17,415
- 1140 Hours Capital Funding	500	3,712	0	0	0	0	0	4,212
- Aberdeen Western Peripheral Route - De-trunking Fund	100	100	100	100	100	0	0	500
- Nature Restoration Fund	168	0	0	0	0	0	0	168
- Play Park Renewal	1,090	1,539	0	0	0	0	0	2,629
- Free School Meals Expansion	1,526	0	0	0	0	0	0	1,526
- Transport Scotland	600	0	0	0	0	0	0	600
- Glenshee Toilets Upgrade (RTIF - Visit Scotland)	256	0	0	0	0	0	0	256
Levelling Up Funding	7,053	12,432	0	0	0	0	0	19,485
Other Grants (including Nestrans/Sustrans/NHS/SPF)	3,669	1,597	5,038	1,882	4,189	1,409	3,097	20,881
Internal Financing								
PFI Lifecycle Replacement	2,081	1,687	837	960	1,257	6,316	8,111	21,249
Sales	1,750	1,750	1,750	1,750	1,750	8,750	8,750	26,250
Receipts and Revenue Total	39,649	43,673	28,581	25,548	28,152	120,755	124,238	410,596
- Cash & Prudential Borrowing	55,964	74,873	65,272	20,251	19,959	50,000	50,000	336,319
Financing Total	95,613	118,546	93,853	45,799	48,111	170,755	174,238	746,915

OPPOSITION**Appendix 4B****Capital Plan - General Services**

2024/25	2025/26	2026/27	2027/28	2028/29
Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget
£000	£000	£000	£000	£000

SUMMARY

1	Business Services	18,427	4,130	5,350	5,350	5,350
2	Communities	5,829	3,804	895	800	800
3	Education and Children's Services	17,756	75,195	61,476	13,646	16,098
4	Infrastructure Services	42,908	28,683	20,912	19,803	19,633
5	Infrastructure Fund 1	4,860	3,000	2,220	3,200	3,230
6	Infrastructure Fund 2	5,772	1,350	3,000	3,000	3,000
7	City Region Deal	61	2,384	0	0	0
	TOTAL GROSS EXPENDITURE	95,613	118,546	93,853	45,799	48,111

BUSINESS SERVICES

8	Carbon Reduction - Council Wide Objectives	354	100	250	250	250
9	Depots	1,297	50	100	100	100
10	Development of Industrial Portfolio & Factory Units	666	50	250	250	250
11	Fraserburgh Lighthouse Museum	326	0	0	0	0
12	Health and Safety - Council Wide Objectives	600	150	300	300	300
13	Information Communications Technology	1,450	250	1,450	1,450	1,450
14	Lifecycle Maintenance - Council Wide Objectives	3,144	1,500	3,000	3,000	3,000
15	Council Offices	10,590	2,030	0	0	0
	TOTAL - BUSINESS SERVICES	18,427	4,130	5,350	5,350	5,350

COMMUNITIES

16	Affordable Housing	698	163	0	0	0
17	Disabled/Elderly Housing Adaptations (Private Sector Housing Grant)	500	250	500	500	500
18	Learning Disabilities - Adaptation Centres	25	10	25	25	25
19	Stonehaven Dental Project (NHS funded)	150	650	0	0	0
20	Levelling Up - Macduff Aquarium	2,823	2,671	0	0	0
21	Live Life Aberdeenshire	788	50	235	140	140
22	Live Life Aberdeenshire Pitch & Outdoor Physical Activity Space Strategy	460	0	100	100	100
23	HSCP - Minor Works & LD Residential Improvements	385	10	35	35	35
	TOTAL - COMMUNITIES	5,829	3,804	895	800	800

OPPOSITION**Appendix 4B**

	2024/25	2025/26	2026/27	2027/28	2028/29
Capital Plan - General Services	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget
	£000	£000	£000	£000	£000

EDUCATION & CHILDREN'S SERVICES

24	Early Learning Childcare (1140 Hours Projects)	500	3,712	0	0	0
25	Early Learning Childcare (Children & Young Peoples Bill)	45	0	0	0	0
26	Chapelton Primary School	282	500	6,542	2,737	0
27	ECS Enhancements	2,111	250	500	500	500
28	Universal Free School Meals Expansion	1,526	0	0	0	0
29	Improved Disabled Access (Education)	250	50	100	100	100
30	Inverurie Community Campus	345	0	0	0	0
31	Kintore Primary School (Midmill)	290	0	0	0	0
32	Peterhead Community Campus	9,326	67,996	53,497	9,349	14,241
33	PFI Lifecycle Replacement (CFCR)	2,081	1,687	837	960	1,257
P/s	Fraserburgh Primary school - new	275	275			
P/s	Stonehaven Primary/Nursery/Special school - new	725	725			

TOTAL - EDUCATION & CHILDREN'S SERVICES	17,756	75,195	61,476	13,646	16,098
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OPPOSITION**Appendix 4B****Capital Plan - General Services**

	2024/25	2025/26	2026/27	2027/28	2028/29	
	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	
	£000	£000	£000	£000	£000	
INFRASTRUCTURE SERVICES						
34	Aberdeen Western Peripheral Route	1,000	1,000	1,000	0	0
35	Aberdeen Western Peripheral Route - De-trunking Fund	100	100	100	100	100
36	Access/Environment Projects	40	0	40	40	40
37	Bin Collection 3-Weekly System	132	132	132	302	132
38	Bridges & Structures	1,100	0	1,000	1,000	1,000
39	Burial Grounds	260	0	100	100	100
40	Capitalisation of Other Projects	7,000	5,000	5,000	5,000	5,000
41	Cycling and Walking (CWSR)	1,161	1,161	1,161	1,161	1,161
42	Cycling and Walking - Other Grant Funded Projects	1,998	0	0	0	0
43	Drainage	250	0	250	250	250
44	Energy from Waste	4,500	0	0	0	0
45	Glenshee Toilets Upgrade (Grant Funded)	406	0	0	0	0
46	Harbours, Coast & Flooding	400	100	250	250	250
47	Landfill, HRC	150	0	150	150	150
48	Levelling Up - Peterhead Cultural Quarter	4,230	13,901	2,279	0	0
49	Nature Restoration Fund	168	0	0	0	0
50	Nestrans Contribution	1,172	600	600	600	600
51	North East Scotland & Northern Isles Integrated Mortuary	3,930	0	0	0	0
52	Parks & Open Spaces	100	50	100	100	100
53	Play Parks Renewal (Grant Funded)	1,090	1,539	0	0	0
54	Public Transport	360	50	300	300	300
55	Public Transport (Nestrans Funded)	230	0	0	0	0
56	Quarries	298	0	200	200	200
57	Reducing Emissions projects funded by Nestrans	400	0	0	0	0
58	Roads Resurfacing/Reconstruction	6,000	3,000	5,000	6,000	6,000
59	Road Safety Improvement Fund Works	600	0	0	0	0
60	Safety Initiatives - Nestrans Funded	50	0	0	0	0
61	Stonehaven Flooding Scheme	850	0	0	0	0
62	Street Lighting	250	50	250	250	250
63	Vehicles	4,683	2,000	3,000	4,000	4,000
TOTAL - INFRASTRUCTURE SERVICES		42,908	28,683	20,912	19,803	19,633

OPPOSITION**Appendix 4B**

Capital Plan - General Services		2024/25	2025/26	2026/27	2027/28	2028/29
		Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget
		£000	£000	£000	£000	£000
INFRASTRUCTURE FUND 1						
64	IF1 Bridges & Infrastructure Services Projects	3,000	3,000	1,500	3,000	3,000
65	IF1 Live Life Aberdeenshire	1,860	0	720	200	230
66	IF1 Education & Children's Services	0	0	0	0	0
TOTAL - INFRASTRUCTURE FUND 1		4,860	3,000	2,220	3,200	3,230
INFRASTRUCTURE FUND 2						
67	IF2 Communities Projects	1,445	500	500	500	500
68	IF2 E&CS Projects	2,427	500	1,500	1,500	1,500
69	IF2 Env & Infrastructure Projects	1,900	350	1,000	1,000	1,000
TOTAL - INFRASTRUCTURE FUND 2		5,772	1,350	3,000	3,000	3,000
CITY REGION DEAL						
70	Digital Infrastructure (City Region Deal)	61	1,474	0	0	0
71	Strategic Transport Appraisal (City Region Deal)	0	910	0	0	0
TOTAL - CITY REGION DEAL		61	2,384	0	0	0

OPPOSITION - 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

- 2.1 The Council is legally required to set a balanced revenue budget for the 2024/25 financial year. This is detailed in **Appendix 8X** together with indicative budgets for years 2025-2029.
- 2.2 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.
- 2.3 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.
- 2.4 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.
- 2.5 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?

3.2.1 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.

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

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

3.2.4 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 £116 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	786	819	849	874
Cumulative Funding Gap	32	61	90	116
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)
Use of Reserves in 2024/25	2	2	2	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.

5 Balancing the Budget

Changes to budget assumptions and settlement

- 5.6 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.
- 5.7 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.
- 5.8 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

- 5.9 Pay award changes – following the pay award changes for 2023/24 our 2024/25 base budget was increased by £3.284m.
- 5.10 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 :-

5.11 Savings proposals

Savings proposals of £12.122 million of which £10.282 million are directly attributable to services and a further £1.840 million are cross council savings.

Detailed savings proposals are shown in Appendix 7.

5.12 Transformation

5.12.1 As part of our Transformation Programme, we will make savings of £9m to be delivered under the following themes: -

- Organisational Design and Operational Structure

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

5.12.2 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.

5.12.3 Organisational Design and Operational Structure

This will focus on Redesign of the Governance Model and Leadership and Management arrangements.

5.13 Business Rates – Policy Change

5.13.1 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.

5.13.2 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.

5.13.3 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

5.13.4 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.

5.13.5 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.

5.13.6 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.**

5.13.7 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.

5.13.8 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.

5.13.9 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.

5.14 Council Tax – Policy Change

5.14.1 The Financial Strategy proposes changes to the policy for Council Tax Empty Properties and Second Homes.

5.14.2 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.

5.14.3 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.

5.14.4 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.

5.14.5 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**.

5.14.6 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.

5.15 Cap on Borrowing

- 5.15.1 A review of the Council's Capital Plan in 2023/24 found it no longer affordable in its current form, prompting necessary changes.
- 5.15.2 Various methods were considered to ensure borrowing remains affordable over a 15-year period.
- 5.15.3 The cost of borrowing is primarily influenced by prevailing interest rates, making a fixed loan quantity limit overly simplistic for long-term borrowing models.
- 5.15.4 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.
- 5.15.5 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.

5.16 Voluntary Severance

- 5.16.1 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.
- 5.16.2 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.
- 5.16.3 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.

5.17 Fees and Charges

- 5.17.1 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.
- 5.17.2 The revised fees and charges effective from April 2024 are shown in Appendices 11 and 11A.

5.18 Fiscal Flexibilities

5.18.1 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.

5.19 Trading Accounts

- 5.19.1 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.
- 5.19.2 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.
- 5.19.3 Benchmarking data will now be generated through existing systems, streamlining Processes, and enhancing effectiveness.
- 5.19.4 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.

5.20 Use of Reserves

We are proposing to reduce the General Fund working balance from £9m to £7m to balance the 2024/25 Budget

We are also proposing to use £458,000 of the Risk and Inflation Reserve to offset some of the inflationary increases this year on the assumption that inflation will reduce over the term of the MTF5.

5.21 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)	
Reduction in borrowing	(6.975)	
Voluntary Severance	(1.143)	
Transformation	(9.000)	
Savings	(12.122)	
Use of Reserves		
Reduce the working balance from £9m to £7m	(2,000)	
Risk and Inflation Reserve	(458)	
Total		(35.445)

5.22 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.

OPPOSITION- SAVINGS PROPOSALS 24/25 - BUSINESS SERVICES

APPENDIX 7X

Reference	Service	Name and Brief Description of Saving	FTE	Saving 24/25 £000	Saving 25/26 £000	Saving 26/27 £000	Saving 27/28 £000
5	Finance	Risk and Resilience - Income Generation Opportunity Offer a chargeable consultation service to commercial organisations and potentially become an accredited body to the Counter Terrorism Security Specialist Register, that can offer advice to public, private and voluntary bodies who will have to comply with legislation. (Protect Duty).	0	-	35		
6	Finance	Restructure of Payroll Team Management roles within the Team to be reconfigured, with the aim of establishing a more cost-effective model that incorporates a structured career development path, and two fixed-term contracts also to cease.	1.45	20			
7	Finance	Increased Use of Employers Savings from Salary Sacrifice Schemes The current recharge will be increased by £80,615 to fully meet the staffing costs of 4 FTE Travel & Benefit Assistant posts. Employer savings arising from the Home & Electronics and Shared Cost AVC schemes will be used for this purpose, thus allowing the substantive staffing budget for the team to be reduced by a corresponding amount.	0	81			
8	Internal Audit	Income from Aberdeen City Council Additional income from Aberdeen City in relation to the provision of the Internal Audit Service.	0	10			
9	Property & Facilities Management	Woodhill House - Public Sector Hub Obtaining agreement with other Public Sector Partners to co-locate in Woodhill House.	0	477	618		
10	Property & Facilities Management	Office Accommodation The business case is premised on current analysis of office utilisation, office suitability, condition and operational costs.	0	314			
23	Finance	Staff Saving Post filled at a lower grade.	0	11			
24	Finance	Additional Scottish Water Income for billing and collection Increased income from Scottish Water for billing and collection.	0	8			
35	Customer & Digital	Windows device management Migrate functions currently delivered by Nomad endpoint device management solution to equivalent Microsoft functions.	0	100			
36	Customer & Digital	CPP reduction in budget Surplus budget no longer utilised	0	17			
38	Customer & Digital	Customer Services - removal of vacant posts Removal of 3 FTE vacant posts	3	99			
39	Customer & Digital	Removal of access panel co-ordinator Removal of access panel co-ordinator due to retirement of postholder (0.5 FTE)	0.5	20			
44	Customer & Digital	IT Staffing Review IT staffing review will align functions, reduce team leaders, and move more routine enquiries onto webchat - thus reducing the need for telephony support.	7	400			
45	Customer & Digital	Service Points Redesign the Service Point provision	Dependent on outcome of redesign	150			
46	Legal & People	Cessation of the Provisional of Physiotherapy to staff through Occupational Health Contract There is no correlation between physio service use and reduction in muscular-skeletal absence. There is no obvious return on the investment in this element of the OH contract. The workforce can access physio services through their GP and other means.	NIL	30			
	Finance	Deletion of vacant Revenues Apprentice post (1FTE), Payroll post (0.58 FTE) through cessation of fixed term contract and 1 FTE ASAT post - postholder retiring	2.58	100			
TOTAL BUSINESS SERVICES			14.53	1,837	653	-	-

OPPOSITION - SAVINGS PROPOSALS 24/25 - ENVIRONMENT & INFRASTRUCTURE SERVICES

Reference	Service	Name and Brief Description of Saving	FTE	Saving 24/25 £000	Saving 25/26 £000	Saving 26/27 £000	Saving 27/28 £000
Environment & Infrastructure Services							
2	Housing	Gypsies/Travellers The proposed budget is due to increase in 24/25 to £179k. By not implementing the full increase there will be minimal impact on service delivery. Additional rental income will aid with the mitigation in service impact.		21			
14	Roads & Infrastructure	Highways Radio System A replacement system with a lower annual fee, greater functionality will increase efficiency through the organisation of work programmes. Initial investigations suggest that a net saving of £35k could be achieved.			35		
15	Roads & Infrastructure	AI Road Inspections Develop a system of video based road inspection. Deploying recording equipment in Council vehicles that already travel across the road network on a regular basis, thereby reducing staff time required for manual inspections, improving the timeliness of data as data can be regularly downloaded and defects identified and fed into repair and maintenance asset management systems.				250	
16	Roads & Infrastructure	Cease use of Heritage Lighting Columns No longer replace heritage lighting columns with like for like. Replace with standard lighting column without embellishment kits or painting. Support will be provided to communities who wish to pay towards replacements		5			
17	Roads & Infrastructure	Cease Renewal of Structural Steel Lighting Columns Structural Steel columns are more expensive than the standard aluminium columns. They are currently provided for locations that require additional installations such as hanging baskets or Christmas decorations. The proposal would stop the replacement of "end of life" structural columns with another structural column. If another structural column was required for example to support hanging baskets or Christmas lights, then the additional cost would be required to be funded by the Third Party/ Communities requiring that additional functionality. Support to be provided to communities who wish to pay towards replacements		8			
19	Roads & Infrastructure	Extend Pay and Display to Free Spaces in Car Parks with Machines A number of Off Street Car Park have a mixture of Pay and Display and Free spaces. This proposal would see the removal of Free spaces from these locations. All spaces within that car park would be subject to charges. This would impact on St Mary's, Banff; Hanover St, Fraserburgh; Burn Lane, Inverurie and High St, Turriff		5			
22	Roads & Infrastructure	Highways - Out of Hours Standby Squads The current Out of Hours Standby squads rota to be reduced to reflect current operational patterns.		10			
25	Roads & Infrastructure	Burial Grounds - Headstone stabilisation Health & Safety of burial grounds (for staff and visitors) is a council responsibility and therefore headstones are inspected on a cyclical basis by trained staff. Memorials considered to require attention, in terms of structural stability, are noted and passed to our current contractor for remedial works. Current budget is £82k. Alternative methods of rendering memorials safe would include lying them flat or closing sections of affected burial grounds to public access.		22			
26	Roads & Infrastructure	Road Maintenance Depot Rationalisation Review the current operational bases for road maintenance with a view to rationalising the number of depots, increasing the functionality and quality of depots whilst maintaining operational efficiency.				100	

OPPOSITION - SAVINGS PROPOSALS 24/25 - ENVIRONMENT & INFRASTRUCTURE SERVICES

Reference	Service	Name and Brief Description of Saving	FTE	Saving 24/25 £000	Saving 25/26 £000	Saving 26/27 £000	Saving 27/28 £000
Environment & Infrastructure Services							
27	Environment & Sustainability	Arboricultural maintenance A reduced maintenance programme, moving to essential only will be implemented for the tree population across Aberdeenshire. Whilst maintenance works are necessary, the production of specific projects such as an Ash dieback plan will not be progressed in 2024/25.		45			
28	Environment & Sustainability	Supply of community bedding plants Plants for communities to use to brighten their towns/villages are supplied to settlements without making any charge. We shall investigate the approach to this and the possibility for costs to be covered through an alternative model.		20	71		
30	Roads & Infrastructure	Grit Bin Provision Reduce the number of grit bins (currently approximately 1900) using a defined risk based approach.		50			
31	Environment & Sustainability	Contribution to village horticultural improvements The reduction in budget for floral displays is linked to the savings proposal for community bedding plants where the supply and cost of plants will be determined in consultation with communities who provide a valued contribution to their towns and villages.		110			
32	Environment & Sustainability	Transportation Strategy - Electric Vehicles A review of the costs and inclusion of income for operating the electric vehicle network produces this budget reduction with no impact on service.		65			
49	Environment & Sustainability	Household Recycling Centres A review of the staffing model and cover for weekend working will save £26,000 without a reduction in service.		26			
54	Environment & Sustainability	Natural Environment Planning and Projects A reduced level of service due to posts not being filled will impact the Rangers Service and the delivery and maintenance of coastal path networks. Where it is possible, external funding and match funding will be pursued to enable continued partnership working with Communities.		69			
55	Planning & Economy	Development Management - Increased Income from Planning Applications Income generation will have negligible impact on Service delivery. This is due to the level of income generated by the Development Management Service within Planning and Economy being derived from the number of planning applications and strategic energy consent applications submitted to the Council as Planning Authority.		200			

OPPOSITION - SAVINGS PROPOSALS 24/25 - ENVIRONMENT & INFRASTRUCTURE SERVICES

Reference	Service	Name and Brief Description of Saving	FTE	Saving 24/25 £000	Saving 25/26 £000	Saving 26/27 £000	Saving 27/28 £000
Environment & Infrastructure Services							
56	Planning & Economy	Development Management Deletion of vacant planning officer post will impact on the ability to process planning applications timeously and increase workload pressures on the remaining Development Management Planners as planning applications will require to be redistributed. Through time this impact will be mitigated by increasing digital and technical innovation to create capacity. The quality of work will not decrease.	1	57			
60	Planning & Economy	Trading Standards Deletion of vacant enforcement officer post. As part of a wider Service Realignment process the workload distribution across Trading Standards will be redistributed. This may impact on the timescales to investigate and resolve enforcement complaints. However, the Service will have a greater level of resilience to deal with the varying complexity of investigations and a stronger quality of Service overall.	1	44			
61	Planning & Economy	Environmental Health Increased income expected from food export certificates, new properties utilising private water supplies and from changes to fishing quotas.		64			
62	Roads & Infrastructure	Roads Administration & Management The reduced cost of technical and professional staff within this budget are recharged to the individual budget pages receiving that service.		235			
67	Roads & Infrastructure	Highways Highways is the Council's internal contractor on activities including Road Maintenance, Winter Maintenance, Private Work and work for other Services. As less overall work is anticipated in 2024/25, this will mean an increased focus on retaining works internally rather than subcontracting. Work is ongoing to trial alternative materials, plant and repair techniques to maximise efficiency.		1,000			

OPPOSITION - SAVINGS PROPOSALS 24/25 - ENVIRONMENT & INFRASTRUCTURE SERVICES

Reference	Service	Name and Brief Description of Saving	FTE	Saving 24/25 £000	Saving 25/26 £000	Saving 26/27 £000	Saving 27/28 £000
Environment & Infrastructure Services							
68	Roads & Infrastructure	Quarries Lower production and lower sales expected in 2024/25 contracting the overall operation and cost base. A review of the business model will be undertaken during 2024/25 to identify mitigations, maximise revenue from external sales while remaining competitive within the overall Aberdeenshire market.		500			
69	Environment & Sustainability	Landscape Services - Administration The reduced cost of technical and professional staff within this budget are recharged to the individual budget pages receiving that service.		47			
72	Environment & Sustainability	Waste Management The impact of a reduced staff budget at key operational locations will be offset by the reduction of planned overtime and vacant posts not being filled.		76			
73	Environment & Sustainability	Waste Collection The costs of agency staff will be reduced directly impacting on the ability to staff crews. Increased communications will encourage the public to channel appropriate waste to HRC's and not into residual bins.		200			
74	Environment & Sustainability	Waste Disposal There is a risk of additional costs for business rates, insurance and gate fee levels from the Energy from Waste facility however the mitigation of this risk is the possibility of significant income from the sale of electricity produced from this facility.		2,451			
82	All	Other Pressures not yet allocated by budget page Pay awards and Energy inflation will be reallocated to appropriate budget lines.		1,439			
TOTAL ENVIRONMENT & INFRASTRUCTURE SERVICES			2	6,769	106	350	0

OPPOSITION - SAVINGS PROPOSALS 24/25 -EDUCATION & CHILDRENS SERVICES

Reference	Service	Name and Brief Description of Saving	FTE	Saving 24/25 £000	Saving 25/26 £000	Saving 26/27 £000	Saving 27/28 £000
Education & Childrens Services							
1	Childrens Services	Holistic Family Support Aberdeenshire Council have funded Holistic Family Support Pilot for 3 years by top slicing the ECS budget and providing £500k each year for 3 years. Scottish Government Funding has now come in to fund this work and therefore the existing budget is no longer required for 2024/25 onwards.	0	500			
12	Education	Servery Project (Catering) Sites that serve less than 35 meals per day that currently have production kitchens will change to a servery and another school in close proximity will become the production kitchen for that school. 2024-25 part year savings as work progresses.	0	45	115		
13	Education	Removal of Adult Free School Meals It has been common practice for a number of years to provide discretionary free adult meals in schools for dining room helpers and school staff, although this is not equitable across the estate.	0	30			
42	Education	Efficiency Saving - School Janitorial Team To reflect the reduction in Janitorial Staff who have accepted voluntary severance	4	124			
47	CWP - CLD	Adult Literacies and Numeracy - Central Costs and Partner Payments Reduction of 50% from Adult Literacies and Numeracy budget. The remaining budget will be used to support the work of the Local Learning Community Partnerships.	0	50			
49	Education	Administration Services to Schools Reduce administration support to schools by 5% through ongoing school business support review	9.1	200	100		
52	Education	Aberdeenshire Life Education Centre (ALEC) Previously agreed termination of Aberdeenshire Life Education Centre (ALEC) will absorb £187,000 budget pressures but also result in a budget saving related to non-staffing costs	2.5	15			
	Education	Dynamic Pricing Introduction of Dynamic Pricing in catering service will involve all products (excluding main meals and 'daily deals' due to FSM entitlement) will be subject to market pressures and priced accordingly	0	50			

OPPOSITION - SAVINGS PROPOSALS 24/25 -EDUCATION & CHILDRENS SERVICES

Reference	Service	Name and Brief Description of Saving	FTE	Saving 24/25 £000	Saving 25/26 £000	Saving 26/27 £000	Saving 27/28 £000
Education & Childrens Services							
	Early Years	Central Early Years Staffing Reduction in Development Workers team with a part year effect from August 2024	3	105	75		
	Early Years	NHS Service Level Agreement (Early Years) Termination of service level agreement (EY) with NHS for speech and language contract and Health Visitor contract from 1 June 2024	0	200	65		
	Education - Special	Reduction in Additional Support Needs Specialists. Reduction of 1FTE from English as an Additional Language Service.	1	57			
	Live Life Aberdeenshire	Live Life Aberdeenshire Reduction from Changes to Leisure Facility Staffing Model	9.66	300			
TOTAL EDUCATION & CHILDRENS SERVICES			29	1,676	355	0	0

OPPOSITION - Cross Service Saving

Reference	Service	Name and Brief Description of Saving	FTE	Saving 24/25 £000	Saving 25/26 £000	Saving 26/27 £000	Saving 27/28 £000
Environment & Infrastructure Services							
18	Roads & Infrastructure	Vehicle Maintenance Services - Purchase of Parts and Materials Source alternative, non framework, supplier of service items, such as filter, brakepads/discs that provide a OEM parts at reduced cost		30			
21	Roads & Infrastructure	Repurpose Vehicles Chassis to delay purchase of new vehicles Reduction in Capital borrowing/spend by refurbishing the refuse bodies and lifters on refuse collection vehicles as opposed to replacing with new. Chassis would be retained and life of vehicle extended by 3-4 years. Reliability of these aging vehicles would be improved as a direct result of the refurbishments. *This would be a one time extension of the selected vehicles each year, once the 3-4 year extension has passed the vehicles will need to be replaced at full cost.		310	0	0	
	Procurement	Procurement savings arising from Contract Renewals and Gainshare opportunities		500			
	Cross Council	Active management of vacant posts. Sustained monitoring and curtailment of the filling of vacancies which arise in the course of the financial year across the Council. Whilst the location, grade and specific job role of vacancies arising ad hoc throughout the year cannot be predicted, central assessment of the impact of failure to recruit for a fixed or indefinite period will allow prudent fiscal management balanced against effective service delivery.		1,000			
TOTAL CROSS SERVICE			0	1,840	0	0	0

Aberdeenshire Council - Revenue Budget 2024/25 to 2028/29

	Base Budget 2024/25 £m	Base Budget 2025/26 £m	Base Budget 2026/27 £m	Base Budget 2027/28 £m	Base Budget 2028/29 £m
Education & Children's Services					
01.Administration & Management - Education & Children's Services	20.426	21.146	21.880	22.644	23.440
02.School Crossing Patrollers	0.472	0.486	0.492	0.498	0.504
03.Early Years	46.440	47.714	49.107	50.542	52.018
04.Out of School Care	(0.001)	(0.002)	(0.004)	(0.005)	(0.008)
05.Primary Education	119.660	123.987	127.807	131.758	135.842
06.Secondary Education	129.109	134.258	147.056	151.884	156.792
07.Special Education	49.818	51.368	52.959	54.601	56.294
08.Instrumental Music Service	2.208	2.274	2.341	2.410	2.482
09.Catering	12.067	12.373	12.781	13.199	13.633
10.Active Schools	0.225	0.257	0.290	0.323	0.357
11.Community Learning and Development	3.536	3.657	3.756	3.858	3.962
12.Children's Services	46.642	48.576	50.526	52.562	54.687
13.Area Managers - Banff & Buchan and Garioch	0.898	0.924	0.949	0.975	1.001
14.Expenditure to be funded from Borrowing - ECS	0.000	0.000	0.000	0.000	0.000
15.Procurement Efficiencies - Education & Childrens Services Committee	(0.127)	(0.127)	(0.127)	(0.127)	(0.127)
	431.374	446.891	469.814	485.121	500.876
Communities					
16.Administration & Management - Live Life Aberdeenshire	1.266	1.305	1.347	1.389	1.433
17.Arts Development	0.433	0.446	0.459	0.472	0.486
18.Macduff Aquarium	0.359	0.385	0.395	0.406	0.416
19.Grant Aid	0.076	0.079	0.080	0.082	0.083
20.Libraries	4.128	4.274	4.392	4.513	4.638
21.Museums	0.773	0.806	0.826	0.847	0.868
22.Outdoor and Adventurous Activities	0.690	0.714	0.733	0.753	0.773
23.Programming and Development	0.102	0.105	0.109	0.113	0.116
24.Halls	0.633	0.677	0.695	0.713	0.731
25.Sport and Leisure	6.683	7.046	7.215	7.389	7.567
26.Integration Joint Board	154.434	154.434	154.434	154.434	154.434
27.Affordable Housing	0.279	0.286	0.294	0.302	0.310
28.Homeless Persons	4.385	4.511	4.619	4.730	4.844
29.Improvement and Repairs Grants	1.125	1.187	1.234	1.282	1.332
30.Gypsies / Travellers	0.150	0.157	0.159	0.162	0.165
31.Sheltered Housing Support	0.359	0.368	0.372	0.377	0.382
32.Community Safety	0.412	0.426	0.440	0.454	0.469
33.Community Planning	0.000	0.000	0.000	0.000	0.000
34.Tackling Poverty and Inequalities	1.168	1.188	1.207	1.228	1.249
35.Procurement Efficiencies - Communities Committee	(0.068)	(0.068)	(0.068)	(0.068)	(0.068)
38.Building Standards	(0.186)	(0.188)	(0.191)	(0.194)	(0.198)
	177.201	178.137	178.751	179.382	180.031
Infrastructure Services					
36.Support Services	0.000	0.000	0.000	0.000	0.000

Aberdeenshire Council - Revenue Budget 2024/25 to 2028/29

	Base Budget 2024/25 £m	Base Budget 2025/26 £m	Base Budget 2026/27 £m	Base Budget 2027/28 £m	Base Budget 2028/29 £m
37.Planning Administration	0.000	0.000	0.000	0.000	0.000
39.Development Management	0.986	1.019	1.052	1.087	1.123
40.Roads Development	0.580	0.596	0.612	0.629	0.646
41.Policy, Information and Delivery	1.060	1.092	1.123	1.156	1.188
42.Natural Environment Planning and Projects	1.027	1.058	1.090	1.123	1.157
43.Historic Environment	0.791	0.815	0.838	0.862	0.887
44.Economic Development	3.703	3.814	3.908	4.004	4.103
45.Protective Services Administration	0.000	0.000	0.000	0.000	0.000
46.Trading Standards	0.809	0.831	0.853	0.875	0.898
47.Animal Welfare	0.285	0.294	0.303	0.312	0.321
48.Public Analyst	0.274	0.282	0.288	0.294	0.300
49.Environmental Health	1.977	2.052	2.126	2.202	2.281
50.Roads Administration & Management	(1.176)	(1.031)	(0.883)	(0.729)	(0.569)
51.Flood Management	0.631	0.637	0.640	0.643	0.646
52.Harbours	0.836	0.879	0.897	0.916	0.935
53.Roads Maintenance - Expenditure & Income	16.151	16.772	16.675	16.935	17.200
54.Winter Maintenance - Expenditure	8.176	8.415	8.579	8.747	8.917
55.Other Recoverable Works - Roads	0.000	0.000	0.000	0.000	0.000
56.Highways	(0.027)	0.892	1.646	2.419	3.209
57.Quarries	(0.024)	0.199	0.306	0.415	0.527
58.Landscape Services - Administration	(0.012)	(0.009)	(0.007)	(0.004)	(0.001)
59.Bereavement Service	(0.100)	(0.100)	(0.124)	(0.150)	(0.176)
60.Parks & Open Spaces	6.285	6.420	6.561	6.706	6.854
61.Grounds Maintenance	(0.455)	(0.188)	0.068	0.331	0.601
62.Waste Management	0.000	0.000	0.000	0.000	0.000
63.Waste Collection	9.428	9.746	10.036	10.334	10.640
64.Waste Disposal	14.007	14.437	14.727	15.024	15.328
65.Street Cleansing	2.977	3.071	3.159	3.250	3.343
66.Transportation	7.690	8.201	8.675	9.178	9.712
67.Sustainability	0.255	0.263	0.271	0.279	0.288
68.Car Parks	0.021	0.020	0.016	0.012	0.007
69.Internal Transport	0.000	0.240	0.430	0.629	0.838
70.Vehicle Maintenance Services	0.312	0.511	0.673	0.840	1.011
71.Area Managers - Kincardine, Mearns & Marr	0.859	0.884	0.908	0.933	0.959
72.Expenditure to be funded from borrowing - EIS	(7.000)	(5.000)	(5.000)	(5.000)	(5.000)
73.Procurement Efficiencies - Infrastructure Services Committee	(1.039)	(1.039)	(1.039)	(1.039)	(1.039)
	69.284	76.070	79.407	83.210	87.133
Business Services					
74.Chief Executive	0.345	0.355	0.365	0.376	0.387
75.Councillors' Remuneration & Expenses	2.362	2.429	2.497	3.119	2.653
76.Business Services Directorate	1.296	1.334	1.374	1.416	1.458
77.Finance	15.851	17.347	18.947	20.620	22.374
78.Internal Audit	0.458	0.479	0.500	0.521	0.544

Aberdeenshire Council - Revenue Budget 2024/25 to 2028/29

	Base Budget 2024/25 £m	Base Budget 2025/26 £m	Base Budget 2026/27 £m	Base Budget 2027/28 £m	Base Budget 2028/29 £m
79.Customer and Digital	12.827	13.210	13.605	14.011	14.431
80.Legal and People	7.799	8.046	8.299	8.559	8.828
81.Miscellaneous Licensing	(0.074)	(0.070)	(0.065)	(0.060)	(0.055)
82.GVJB	2.275	2.344	2.414	2.486	2.561
83.Printing	0.714	0.714	0.714	0.714	0.714
84.Procurement	0.911	0.942	0.973	1.006	1.039
85.Woodhill House	1.622	1.122	1.139	1.157	1.176
86.Office Accommodation	1.684	1.785	1.826	1.869	1.914
87.Building Cleaning	0.000	0.075	0.152	0.232	0.314
88.Public Conveniences	0.647	0.680	0.697	0.714	0.731
89.Operational Buildings	0.000	0.135	0.175	0.216	0.258
90.Estates	(2.734)	(2.796)	(2.878)	(2.963)	(3.050)
91.Property Construction Services	(0.636)	(0.425)	(0.208)	0.016	0.247
92.Building Repairs & Maintenance Fund	9.558	9.848	10.147	10.454	10.771
93.Area Managers - Buchan & Formartine	0.896	0.915	0.936	0.958	0.980
94.Charges to HRA	(3.450)	(3.450)	(3.450)	(3.450)	(3.450)
	52.349	55.017	58.158	61.971	64.822
96.Capital Financing Charges & Interest on Revenue Balances	41.013	46.574	50.671	54.405	57.047
Corporate Savings	(10.000)	(10.215)	(10.373)	(10.534)	(10.698)
Service Concessions	(5.497)	(6.206)	(7.075)	(4.270)	(4.296)
TOTAL REVENUE EXPENDITURE	755.724	786.267	819.353	849.286	874.915
Revenue Support Grant	(452.384)	(452.384)	(452.384)	(452.384)	(452.384)
LEIP Funding - Peterhead Community Campus	0.000	0.000	(3.830)	(3.830)	(2.939)
99.Council Tax	(167.665)	(168.365)	(169.065)	(169.765)	(170.465)
100.Business Rates	(133.217)	(133.217)	(133.217)	(133.217)	(133.217)
TOTAL INCOME	(753.266)	(753.966)	(758.495)	(759.195)	(759.004)
Transfer to/ (from) reserves	(2.458)				
NET EXPENDITURE/ (INCOME)	(0.000)	32.302	60.858	90.090	115.910

* Building Standards, previously reported as part of Infrastructure Services Committee, will be reported to Communities Committee from 2024/25 onwards

Aberdeenshire Council - Reserves

	Opening Balance at 1 April 2023	Forecast Balance at 31 March 2024	Proposed Balance at 1 April 2024	Balance at 31 March 2025	Balance at 31 March 2026	Balance at 31 March 2027	Balance at 31 March 2028	Balance at 31 March 2029
	£000	£000	£000	£000	£000	£000	£000	£000
Working Balances								
General Fund Balance	(9,000)	(9,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
Housing Revenue Account Balance	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Total Working Balances	(11,000)	(11,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
Statutory Funds								
Uninsured Losses Fund	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)
Winter Maintenance Funds	(1,300)	0	0	0	0	0	0	0
Usable Capital Receipts	(1,116)	(1,116)	(1,116)	(1,116)	(1,116)	(1,116)	(1,116)	(1,116)
Total Statutory Funds	(3,548)	(2,248)	(2,248)	(2,248)	(2,248)	(2,248)	(2,248)	(2,248)
Earmarked Reserves								
Capital Earmarked Reserves								
Capital Receipt Deferred	(422)	(421)	(421)	(420)	(419)	(418)	(417)	(416)
Capital Grants Unapplied Account	(13,380)	(11,100)	(11,100)	(10,600)	(6,888)	(6,888)	(6,888)	(6,888)
Total Capital Earmarked Reserves	(13,802)	(11,521)	(11,521)	(11,020)	(7,307)	(7,306)	(7,305)	(7,304)
Revenue Earmarked Reserves								
Aberdeenshire Farming Museum Purchase Fund*	(61)	(61)	(61)	(61)	(61)	(61)	0	0
Aberdeenshire Heritage Artefact Acquisition Fund*	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)
Estate of the late William Paterson Beedie Bequest*	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)
Tolbooth Restoration Fund*	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)
Affordable Housing Reserve*	(7,868)	(8,448)	(8,448)	(8,519)	(8,362)	(8,180)	(8,026)	(8,596)
CCI Reserve*	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)
Pupil Equity Funding	(1,405)							
Greeness Settlement*	(79)	0	0	0	0	0	0	0
Additional Scottish Government Funding*	(2,527)	(772)	(772)	(772)	(772)	(772)	(772)	(772)
Earmarked reserve - government grants*	(12,296)	(10,288)	(10,288)	(10,288)	(10,288)	(10,288)	(10,288)	(10,288)
Community Culture & Tourism*	(140)	(94)	(94)	0	0	0	0	0
Risk & Inflation Reserve	0	(8,217)	(7,759)	(7,759)	(7,759)	(7,759)	(7,759)	(7,759)
HRA Risk & Inflation Reserve	0	(300)	(300)	(300)	(300)	(300)	(300)	(300)
Health & Social Care Partnership Risk Reserve	0	(2,391)	(2,391)	(2,391)	(2,391)	(2,391)	(2,391)	(2,391)
Local Government Pay Award Reserve	0	0	0	0	0	0	0	0
Teachers Pay Award Reserve	0	0	0	0	0	0	0	0
Transformation Reserve (from Service Concessions)	0	(35,508)	(35,208)	(35,208)	(35,208)	(35,208)	(35,208)	(35,208)
Regeneration and Priority Town Reserve	(2,108)	(1,970)	(570)	0	0	0	0	0
PLACE RESERVE - NEW			(1,400)	(1,450)	(1,450)	(1,450)	(1,450)	(1,450)
Resilience and Recovery Fund	(8,352)	0	0	0	0	0	0	0
Local Authority Continued Economic Recovery Fund (LACER)	(1,691)	(920)	(920)	0	0	0	0	0
DEM Balance	(3,245)	(1)	(1)	0	0	0	0	0
Devolved School Management Projects	(2,221)							
Infrastructure Fund	(752)	0	0	0	0	0	0	0
Tackling Poverties and Inequalities Reserve	(3,447)	(3,061)	(3,061)	(1,044)	(98)	0	0	0
Roads Maintenance Fund	(3,087)	0	0	0	0	0	0	0
Repairs and Maintenance Fund	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
ECS Holiday Recovery Programme Reserve	(979)	0	0	0	0	0	0	0
Pay Award Reserve	(4,466)	0	0	0	0	0	0	0
Digital Strategy Reserve	(1,493)	(903)	(903)	(516)	0	0	0	0
Rural Development Partnership Fund	(37)	(37)	(37)	(37)	(37)	(37)	(37)	(37)
Carbon Budget Tool Reserve	(312)	(102)	(102)	0	0	0	0	0
Community Resilience Fund Reserve	(43)	(16)	(16)	(40)	(30)	(20)	(10)	0
Total Revenue Earmarked Reserves	(57,224)	(73,704)	(72,946)	(69,000)	(67,371)	(67,081)	(66,856)	(67,416)
Total Earmarked Reserves	(71,026)	(85,225)	(84,467)	(80,020)	(74,678)	(74,387)	(74,161)	(74,720)
TOTAL RESERVES	(85,574)	(98,473)	(95,715)	(91,268)	(85,926)	(85,635)	(85,409)	(85,968)

Note: These figures are provisional pending finalisation of 2023/24 outturn

* These reserves have legal or funding restrictions on their use

Aberdeenshire Council 2024/25 Budget – Appendix 12

RESERVES

1. What are reserves?

1.1. Reserves are in the main a revenue resource that the Council has accumulated over time and set aside for a particular purpose as part of an integrated approach to the financial management of the Council over the short and medium term. The Council will also hold unusable reserves in accordance with Generally Accepted Accounting Practice in the UK (UK GAAP) and Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

2. Types of reserves held

2.1. The Council holds reserves for specific reasons that are included within the Medium-Term Financial Strategy. These include a working balance to cover unexpected events and to meet forthcoming events where the precise event, date and amount required cannot accurately be predicted. In addition, the Council is required to hold non-cash backed reserves to adhere to proper accounting requirements when preparing its annual Statement of Accounts. There are five types of reserves, each of which are explored in more detail below:

Usable Reserves

- Working Balance
- Statutory Funds
- Earmarked Reserves – Capital
- Earmarked Reserves

Unusable Reserves

- Unusable Reserves for Statement of Accounts

2.2. Working Balance

The Council will hold a general reserve Working Balance which sets out the minimum amount of reserves the Council is required to hold for the following purposes:

- To meet forthcoming events where the precise date and amount required cannot be accurately predicted.
- A contingency to cushion the impact of unexpected events or emergencies.
- A reasonable amount to meet peaks and troughs in revenue and capital expenditure requirements.
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. This is the minimum level of reserves that the Council will hold.

2.3. Statutory Funds

The Council will hold statutory funds for the following purposes: -

- **Uninsured Losses Fund** - funding set aside to manage financial risk and volatility. The fund covers uninsured losses that are not yet fully quantified and liabilities for incidents that have happened but for which a claim has not yet been received, including major events which are not covered in full by other funding.
- **Winter Maintenance Fund** - The reserve is designated for unexpected winter and emergency operations. The current budget anticipates expenses based on a mild winter.

Whether this reserve is accessible in 2024/25 hinges on the final financial outcome of 2023/24. As of the January 2024 forecast, it's expected that this reserve will be fully utilised, there is no provision to replenish in the 2024/25 budget setting.

2.4. Earmarked Reserve – Capital

The Council will hold the following reserves: -

- **Capital Receipts Deferred Reserve.** This reserve holds the proceeds from the sale of assets and can only be used for capital purposes in accordance with the regulations.
- **Capital Grants & Receipts Unapplied** where grants have been received and are held in reserve but have not yet been set against relevant spend.

2.5. Earmarked Reserves

The Council will hold earmarked reserves for the following purposes:

- A means of building up funds to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the general reserve.
- To mitigate specific risks in relation to the economic, political, and social climate. The risks identified for 2024/25 budget setting are contained within the Budget Risk Register (**Appendix 3B**).
- To meet forthcoming capital expenditure needs where major capital schemes are being planned and the reserve will be utilised to reduce the cost of borrowing and capital charges to the revenue account. The Council does not currently hold a reserve for this purpose.
- To meet smaller projects where expenditure is only met from this reserve, and which meets specific policy requirements.

- To hold donations or bequests with specific conditions as to the use of the funding (**Earmarked - Restricted Reserve**)
- In 2022/23, the Council agreed to create a **Transformation Reserve** which was created following the change in accounting rules relating to service concessions. This funding is set aside to be made available for transformation projects which are intended to result in efficiencies and cost reduction to enable the closing of future year gaps. This is not a cash benefit, but an accounting benefit and any use of this reserve will need access to cash funds, for example through borrowing.

2.6. Unusable Reserves for the Statement of Accounts

The Council also holds other reserves that arise out of the interaction of legislation and proper accounting practice. These do not form part of the budget setting process but are reflected here for information. These reserves are technical in nature, and are only reported through the Annual Accounts, they are not cash-backed and **cannot** be used for any other purpose, as described below:

- **The Revaluation Reserve** – this is a reserve that records unrealised gains in the value of fixed assets. The reserve increases when assets are revalued upwards and decreases as assets are depreciated or revalued downwards or disposed of.
- **The Capital Adjustment Account** – this is a specific accounting mechanism used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system.
- **The Financial Instruments Adjustment Reserve** – this is a specific accounting mechanism used to reconcile the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under proper accounting practice and are required by statute to be met from the General Fund.
- **The Pensions Reserve** – this is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes.
- **Employee Statutory Adjustment Account** – this account represents the value of outstanding annual leave and time off in lieu as at 31st March each year.

3. Aberdeenshire Council Reserves Strategy

3.1 Our strategy when considering which reserves to hold, the level and for what purpose as part of the MTFS and Budget setting process is supported by the following three key elements: -

- **Strategic intent** – We define the purpose of holding reserves to achieve the Council's priorities or manage future risks.
- **Programme for use** – We determine the level of reserves and outline plans for their use over the 2024-2029 MTFS period.
- **Framework for use** – We establish how reserves will be assessed, managed, and utilised to support our objectives effectively.

3.2 The reserves strategy is underpinned by the following key principles: -

- Reserves are reviewed annually as part of the Budget setting report.
- Those reserves no longer required for their intended purpose are identified and made available for other defined priorities.
- The level of reserves and forecast should be re-assessed as part of the financial reporting to ensure their adequacy.
- The risk assumptions to be reviewed as part of the regular financial reporting.
- A long-term view will be used when assessing the use of reserves to ensure that existing commitments and agreed priorities can be delivered.
- Pursuing financial efficiency will serve as the foundation for the request to use the Transformation Reserve. Internal proposals for this funding will undergo peer scrutiny, requiring well-defined business cases to justify the use of the reserve. The financial outcome will be thoroughly evaluated throughout the funding period and upon completion of the project.
- When the Council is in receipt of one-off and non-recurrent resources consideration will be given in the first instance to utilise them to replenish and top-up reserves.

3.3 Why is a reserves strategy required?

The Council must plan over the short and medium term how it intends to use its resources (grants, council tax and income) to deliver its Plan and MTFS and associated priorities to the residents and communities of Aberdeenshire. As a large, complex organisation there will always be variations between actual spending/income and the budgets and plans due to variations in demand, demographic change, changes in costs and funding decisions of third parties as well as needing to deliver projects and investments spanning more than one financial year.

To ensure that the Council manages these financial risks whilst being able to maintain services, requires the Council to hold funds in reserve to meet these costs as and when they arrive. A reserves strategy enables this to be done in a planned way.

The sufficiency of the level of reserves held will be considered on an annual basis and will be predicated on the risks that the Council needs to plan for, the projects it wishes to deliver over a multi-year period and whether the working balance requires to be replenished. A reserve may be created or replenished under the following circumstances: - as a result of an under-budget outturn position at the year end, the setting aside of funding as part of the revenue budget setting process, the repurposing of an existing reserve or upon receipt of un-hypothecated additional funding.

3.4 Reserves and the MTFS

The reserves strategy is part of a suite of supporting strategies and plans that supplement the Council Plan and 2024-29 MTFS. All the supporting strategies and plans are aligned to the Council Plan and MTFS and provide an additional level of granularity that help create a bridge between the high-level over-arching plan and operational delivery. As such it forms part of a collective accountability framework for the management of the Council's financial resources.

Maintaining the current high standards of financial management across the organisation is critical to the successful delivery of the 2024/25 Budget and wider MTFS. Any weakening of financial management has a direct impact on the level of reserves needed to offset the risk of services overspending and/or the non-delivery of savings targets. The central role in the management of the Authority's reserves lies with the Chief Executive, Directors, and wider budget holders both individually and collectively, with support and advice from Finance and scrutiny through Policy Committees and Full Council.

4. Principles for managing and using Reserves.

The principles are:

- a. The primary purpose is to manage financial risk and promote financial sustainability.
- b. The planned use of reserves, for the following financial year, will be agreed as part of the annual budget setting and medium-term financial strategy process. Other than in exceptional circumstances, the planned use of reserves is only expected to change in year as a result of:
 - Investment projects and projects to deliver budget reductions in future years approved by Members/Corporate Board; and
 - Adjustments to reflect the impacts of the previous year's outturn that were not known at the time the budget for the year was agreed.
- c. All reserves will be subject to a year-end review to ensure the reason for holding the reserve and the plans for its use aligns with the approved Council Plan, the Delivery Plan, MTFS and this strategy.

- d. Reporting on each reserve and seeking approval for any variations to the reserves will be reported through regular performance monitoring to Committee and /or Council.
- e. Creation of new reserves will form part of the annual MTFS and budget setting process or through regular monitoring report to Council.

5. Aberdeenshire Council Reserves

5.1 Reserves are an essential part of good financial management and the Council's drivers for holding them are as follows: -

- Management of financial risk so that the risk materialising doesn't undermine the Council's overall financial position or impact on service delivery.
- Planned use of resources set aside to deliver a project over time.
- Smoothing out of uneven cashflows to negate the need for unnecessary temporary borrowing.
- Retain any other accumulated underspends prior to decisions on their use.

The Council will always need to retain reserves for each of these categories.

5.2 Aberdeenshire Council's reserves are forecast to be **£98.473 million** at the start of 2024/25, these balances are subject to a revenue break even position in 2023/24 and no further draw down on reserves to fund planned smaller projects.

The level of reserves is contingent upon the Council's External Auditor's scrutiny of the annual accounts. In the event of an over budget position upon final assessment, any shortfall would need to be covered by reserves, with the proposal to use the Risk and Inflation Reserve – General Fund and the Risk and Inflation Reserve HSCP for any budgetary shortfall by the Aberdeenshire Health and Social Care Partnership.

The reserves are being held for the following reasons: -

- **£21.082 million to manage financial risk, including volatility, this includes £7 million of Working Balances.**
- £7.010 million of investment in projects to deliver the Council's priorities.
- £19.778 million to meet externally set conditions.
- £12.637 million of capital grants and capital receipts carried forward to future years to be invested within the Capital Plan.
- **£35.208 million** available from to invest in transformation projects to bring about service redesign, reduction in costs and increased reserves over the period of the MTFS and to balance future years budget gaps.

5.3 In 2023/24, the Council undertook a voluntary severance scheme and as a result accepted a number of applicants at a cost of £1.88 million to the General Fund, with recurring savings expected of £1.99 million. Members are requested to approve the use of the Transformation Reserve to fund these one-off costs.

5.4 Working Balances

It has previously been established that the General Fund Working Balance will be maintained at **£9million**. **We propose to reduce the working balance by £2m to £7m.**

The HRA Working Balance of £2 million is recommended for approved as part of the separate item on the Full Council agenda at its meeting on 22 February 2024 as part of the HRA Budget setting for 2024/25.

	Opening Balance 1 April 2023	24/25 Budget Use	Proposed Balance 1 April 2024
			£000
Working Balances			
General Fund Balance	9,000	2,000	7,000
Housing Revenue Account	2,000		2,000
Total Working Balances	11,000	2,000	9,000

As the net budget position changes and risks are reviewed the level of Working Balance must be monitored to ensure that a minimum level is maintained. In the event of a draw down on the Working Balances solutions must be identified to replenish to the agreed level, this will require the identification of revenue expenditure savings or the reallocation of an existing reserve.

5.5 Statutory Funds

The Council maintains two statutory funds :-

	Opening Balance 1 April 2023	Proposed Balance 1 April 2024
	£000	£000
Statutory Funds		
Uninsured Losses Fund	1,132	1,132
Winter Maintenance Fund	1,300	nil
Total Working Balances	2,432	1,132

5.6 Earmarked Reserves - Capital

	Opening Balance	Proposed Balance

	1 April 2023	1 April 2024
	£000	£000
Earmarked Reserves - Capital		
Capital Receipt Deferred	422	421
Capital Grants & Receipts Unapplied Account	13,380	11,100
Total Earmarked Reserves – Capital	13,802	11,521

5.7 Earmarked Reserves

Unlike General Reserves, earmarked reserves have been identified for specific areas of expenditure where there are anticipated costs that can only be estimated. It is therefore prudent for the Council to identify such areas of expenditure and set aside amounts that limit future risk exposure.

Expenditure relating to earmarked reserves must specifically relate to the purpose of the reserve. There is no set limit to an earmarked reserve as it is to reflect the level of need required.

Within Earmarked Reserves there are reserves that are restricted as to their use. These are made up of funds that have been donated to the Council for a specified purpose. Also grant funding received but not yet spent, where there are conditions attached to the grant and any unspent funding is required to be repaid, therefore this is carried forward to ensure that there is sufficient funding available to cover the remainder of the project expenditure or repay it if required.

Earmarked Reserves – unrestricted use are general fund reserves that have been created for the purposes reflected in Section 2 d) above.

	Opening Balance 1 April 2023	Proposed Balance 1 April 2024
	£000	£000
Earmarked Reserves – restricted use		
Aberdeenshire Farming Museum Purchase Fund	61	61
Aberdeenshire Heritage Artefact Acquisition Fund*	11	11
Estate of the late William Paterson Beedie Bequest	20	20
Tolbooth Restoration Fund	55	55
Affordable Housing Reserve	7,868	8,448
CCI Reserve	29	29
Greeness Settlement	79	0
Additional Scottish Government Funding	2,527	772
Community Culture & Tourism	140	94
Total Earmarked Reserves – restricted use	10,790	9,490

The table below identifies the required reserves to mitigate against known risks for 2024/25 and confirms the continued need for the reserves previously set aside to deliver the Council Priorities.

New reserves created and changes to previously held reserves are detailed in paragraph 5.7 below.

	Opening Balance 1 April 2023	Proposed Balance 1 April 2024
	£000	£000
Earmarked Reserves – unrestricted use		
Risk and Inflation Reserve – General Fund	8,217	7,759
Risk and Inflation Reserve - HRA	300	300
Risk Reserve – Health and Social Care Partnership	3,991	2,391
Local Government Pay Award	4,600	0
Teachers Pay Award	0	0
Transformation Res - Fiscal Flexibilities	37,498	35,208
Regeneration and Priority Town	2,108	570
Place Reserve - NEW	0	1,400
Local Authority Continued Economic Recovery Fund (LACER)	1,691	920
Tackling Poverty and Inequalities	3,447	3,061
Roads Maintenance	3,087	0
Repairs and Maintenance	500	500
ECS Holiday Recovery Programme	979	0
Digital Strategy	1,493	903
Rural Development Partnership	37	37
Carbon Budget Tool	312	102
Community Resilience Fund	43	16
Total Earmarked Reserves - unrestricted	68,303	53,167

5.8 Changes to existing reserves and creation of new reserves

Risk and Inflation Reserve

We plan to use £458,000 of the risk and inflation reserve to balance the 2024/25 budget.

Risk and Inflation Reserve	£000
Forecast Balance 31 March 2023	8,217
Use to balance budget	458
Balance 1 April 2024	7,759

Transformation Reserve

We plan to invest £300,000 from the Transformation Reserve to support Investment in the Decriminalisation of Parking

Transformation Reserve	£000
Forecast Balance 31 March 2023	37,498
To fund Voluntary Severance	1,990
To invest in Decriminalisation of Parking	300
Balance 1 April 2024	35,208

Place Strategy Reserve

It is proposed that £1.400m of the Regeneration and Priority Town Reserve which currently has a forecast balance of £1.970m to the 31 March 2024, be transferred into a new Place Strategy Reserve to provide resources to deliver the Place Strategy.

As highlighted in the MTFs the Council's external auditor highlighted the need for financial resources to deliver the Place Strategy.

Regeneration and Priority Town Reserve	£000
Forecast Balance 31 March 2023	1,970
Transfer to Place Strategy Reserve - NEW	1,400
Balance 1 April 2024	570

End of programme reports will be presented to Infrastructure Services Committee in May 2024. Any outstanding funds following the conclusion of the current programmes will be transferred to the Place Strategy Reserve.