

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Council
<b>DATE</b>	13 December 2023
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Budget Protocol: Phase 2 Consultation & Budget Update
<b>REPORT NUMBER</b>	RES/23/388
<b>DIRECTOR</b>	Steve Whyte / Gale Beattie
<b>CHIEF OFFICER</b>	Jonathan Belford / Martin Murchie
<b>REPORT AUTHOR</b>	Jonathan Belford / Martin Murchie
<b>TERMS OF REFERENCE</b>	2

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### 1. PURPOSE OF REPORT

- 1.1 The report satisfies the requirements of the approved Budget Protocol, in respect of reporting to Council the results of the Phase 2 Public Budget Consultation, which includes details of the current estimated budget position for 2024/25, the budget options and the Integrated Impact Assessments (IIA).

### 2. RECOMMENDATIONS

That Council

- 2.1 Note the contents of the report;
- 2.2 Approve the updated Medium Term Financial Strategy position for the General Fund, per paragraph 3.13, and latest budget gap for 2024/25; and
- 2.3 Note that the Council will be presented with the final budget position and the request to approve a balanced General Fund Revenue and Capital Budget, and set Council Tax for 2024/25 at the Budget meeting on 6 March 2024.

### 3. CURRENT SITUATION

- 3.1 On 23 August 2023 the Council approved the latest Medium Term Financial Strategy (MTFS) (RES/23/250). This included the feedback on the Phase 1 Public Budget Consultation, which had been carried out in July 2023, and was the initial engagement step set out in the approved Budget Protocol (COM/23/162). This provided the Council with information about where the priorities of the public lie in regard to Council services.
- 3.2 The MTFS sets out scenarios for the future financial position of the Council and the Council agreed that for the second phase of public consultation the Central

Scenario would be used and that the results of this will be reported to Council in December 2023, in accordance with the Budget Protocol.

3.3 The approved MTF5 shows the budget gap for the General Fund for the next five years as follows:

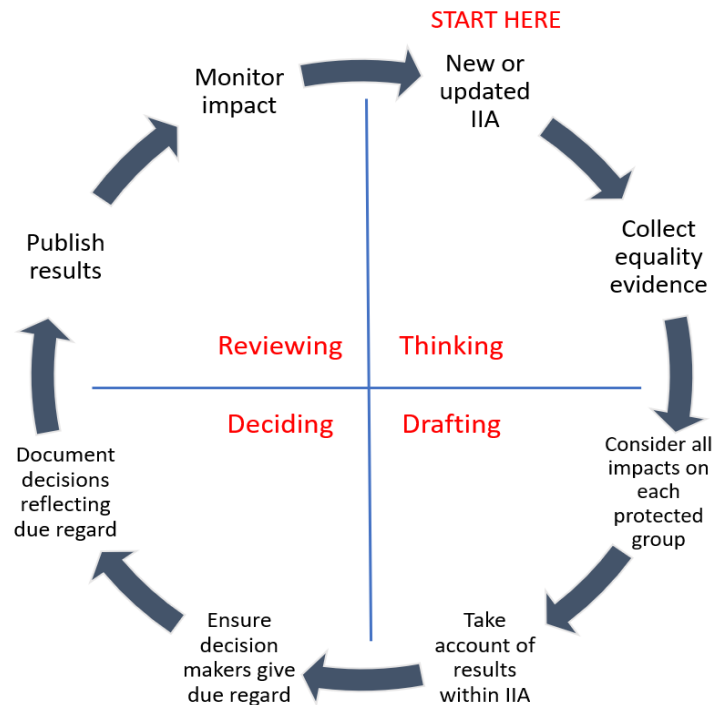
After Assumed Savings:	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
General Fund Budget Gap	£M	£M	£M	£M	£M	£M
Downside Scenario	0	65	124	168	201	240
<b>Central Scenario</b>	<b>0</b>	<b>35</b>	<b>62</b>	<b>76</b>	<b>83</b>	<b>95</b>
Upside Scenario	0	10	18	13	-2	-3

3.4 The Central Scenario, a budget gap of £83m over the next four years (used as it is the end of the current Council term) was therefore included in the Phase 2 exercise. The Phase 2 simulator was made available online from 11 October 2023 to 12 November 2023.

3.5 The Budget Protocol is in its first year of operation and was designed to strengthen the governance around our budget setting process, particularly to help us to understand the impact of budget options on our Public Sector Equality Duty under the Equality Act before decisions are made by elected members in March 2024. Members must have due regard to the impacts when setting the budget and officers must assess the impacts and any mitigations which will minimise those impacts. The stages agreed by the Protocol are set out immediately below:

Update Medium Term Financial Strategy	<input checked="" type="checkbox"/>
Phase 1 Public Consultation – Gather Information on Priorities	<input checked="" type="checkbox"/>
Phase 1 Public Consultation – Feedback reported as part of Medium-Term Financial Strategy	<input checked="" type="checkbox"/>
Develop budget options, using Phase 1 Public Consultation, and draft/update IIAs	<input checked="" type="checkbox"/>
Elected Member Workshops to be held on budget options before going into the public domain	<input checked="" type="checkbox"/>
Phase 2 Public Consultation including targeted consultation	<input checked="" type="checkbox"/>
Update IIAs following Phase 2 Public Consultation	<input checked="" type="checkbox"/>
Elected Member Workshops to develop budgets	January
Groups submit budgets to Chief Finance Officer (three days from publication of reports)	March

3.6 Phase 2 of public consultation has now been completed and Integrated Impact Assessments (IIAs), the Council's tool for recording the impact of proposals on groups of people with protected characteristics, are being updated using the data collected through this engagement, as well as data held internally about service users. This will allow further targeted engagement to take place with any relevant groups or individuals that may be negatively impacted by any of the options, and this feedback will be incorporated into the IIAs referred to by members at the budget meeting (drafts will be shared with elected members as part of this meeting). These IIAs continue to be updated and are live, iterative, documents, taking account of the requirement for all budget options to be legally competent and financially achievable, as well as the duty to have due regard to the impact of these options on protected characteristics groups, at the point of decision making.



3.8 A revised IIA template will be introduced from 1<sup>st</sup> January 2024 and will reflect improvements to ensure that, when budget decisions are being made, members have full information to allow them to have due regard under the Equality Act. This new template will be provided to Elected Members as part of the final budget options next year. Officers will also report to Council following the approval of the budget on lessons learned during the first year of the Protocol's operation and any proposed refinements to process.

### **Phase 2 Public Consultation**

3.9 The Phase 2 simulator was completed by 2,654 people. This represents approximately 1% of the population of Aberdeen. 146 of those respondents indicated that they live outside Aberdeen. People completing the simulator ranging in age from teenagers to those in their nineties.

3.10 The simulator presented people with resolving the budget gap of £83m, using the options for saving expenditure or increasing income. 18.5% of completed responses balanced the budget.

3.11 A summary of the results and feedback is included as Appendix 1.

### **Current Estimated Budget for 2024/25**

3.12 Noted above at 3.3 is the forecast for the General Fund budget gap, as set out in the MTFs, 2023. That financial landscape evolves, and can mean that changes to the budget gap can rise and fall throughout the course of the year.

3.13 Since the approval of the MTFs in August 2023 a number of specific modelling changes are able to be incorporated into the financial model that have both a positive and negative impact on the overall budget gap. These changes result in the following updated position for 2024/25 to 2028/29.

<b>Budget Forecasts - General Fund</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Children's & Family Services	232,160	242,759	250,990	256,152	260,967	265,722
Commissioning	18,565	19,806	21,041	21,658	22,236	22,800
Customer	42,404	45,995	49,240	51,336	53,105	54,717
Integrated Joint Board	120,781	120,781	120,781	120,781	120,781	120,781
Resources	53,259	58,950	67,122	70,143	74,419	76,360
Corporate	91,725	104,170	111,718	122,638	135,926	143,544
<b>Total Expenditure</b>	<b>558,894</b>	<b>592,461</b>	<b>620,891</b>	<b>642,709</b>	<b>667,435</b>	<b>683,925</b>
<b>Funded By</b>						
General Revenue Grant	(154,116)	(163,481)	(163,304)	(164,666)	(166,040)	(167,427)
NNDR	(257,797)	(257,797)	(257,501)	(259,780)	(262,079)	(264,398)
Council Tax	(137,908)	(138,977)	(140,047)	(140,564)	(141,082)	(141,599)
Use of Reserves	(9,072)	(3,577)	(3,577)	(3,577)	(3,577)	(3,577)
Total Income	(558,894)	(563,833)	(564,428)	(568,587)	(572,778)	(577,001)
<b>Gap (Cumulative)</b>	<b>0</b>	<b>28,628</b>	<b>56,463</b>	<b>74,122</b>	<b>94,657</b>	<b>106,923</b>
<b>MTFS Assumptions re Savings from:</b>						
Council Transformation	0	(7,611)	1,367	(2,699)	(12,744)	0
Multi-Agency Transformation	0	(500)	(1,025)	(1,285)	(1,200)	0
Efficiencies	0	(135)	(1,262)	0	0	0
<b>Net Position (Central Scenario)</b>	<b>0</b>	<b>20,382</b>	<b>47,297</b>	<b>60,972</b>	<b>67,563</b>	<b>79,830</b>

3.14 The main changes included are as follow:

- Local Government Pension Scheme – on a three year basis the contribution rates to the pension fund are reset by the Pension Fund and Scheme Actuary. These will be finalised and signed off by the Actuary in the last quarter of the year, and rates will apply from 1 April 2024. The indicative contribution rates for Aberdeen City Council show that a reduction in the employer rate from 17.9% to 10.5% will apply. The financial model has been updated to take account of reduced pension contributions for those employees who are members of the North East Scotland Pension Fund (£11.8m).
- Scottish Teachers Pension Scheme – the SPPA has issued Teachers Circular 2023/08, Change to Employer Contribution Rate from 1 April 2024. This confirms employer contributions will rise to 26% from 1 April 2024 subject to the necessary regulations being approved by Parliament; and that the current employer rate of 23% will continue to apply until 31 March 2024. The additional cost to the Council for those teachers who are members of the Teachers Pension Scheme (an unfunded scheme) has been included in the revised financial model (£2.2m).
- General Revenue Grant - Scottish Government Funding – in the past the higher cost of Teachers pensions has resulted in funding consequential

for Scotland, with the funding passported by Scottish Government to Councils. The assumption is that this will apply for the increase from 1 April 2024 as noted above (£2.2m). It is unclear at time of writing what the financial impact will be and it will not be known until the Scottish Budget for 2024/25 is published, at the earliest, if any funding will be passed in full to Councils.

- General Revenue Grant - Scottish Government Funding – commitment has been given to recurring funding being provided to support the implementation of the 2023/24 pay award. This amounts to approximately £94m for Scotland and the modelling assumption in the MTFS was that £2.9m of cost pressure would arise. With the commitment made, additional income (£2.9m) can be included in the financial model.

3.15 Note, no adjustment or assumption has been incorporated into the financial model for the announcement by the First Minister that Council Tax will be frozen for 2024/25. The Scottish Government has said that it will fully fund the freeze. That said, the implications for Local Government will not be known until after the Scottish Budget for 2024/25 has been announced on 19 December 2023. The Local Government Financial Settlement for 2024/25 is expected to set out the details and will only be available after the Scottish Budget is published.

### **Budget Options**

- 3.16 As contained in the approved MTFS (RES/23/250) closing the budget gap relies on a wider range of solutions. Assumed within the MTFS are savings arising from Transformation Programme, Multi-Agency Collaboration and Efficiencies. The work to address these projects and programmes continues having been approved as part of the TOM1.2 (CUS/22/171) and associated reports. These savings and income generation opportunities amount to £8.2m in 2024/25 and £27.1m over the five years. Officers will work on delivering the financial benefits from that work and where appropriate report to committee or Council through normal governance arrangements. This only addresses a proportion of the identified budget gap.
- 3.17 The Phase 2 Budget Consultation simulator presented a wide range of options to enable the closing of the budget gap, including savings options and income generation options. In general, these options have an impact on service levels, service standards or the cost of services and in turn will affect citizens, businesses and visitors.
- 3.18 The timing of the implementation for the options was varied, shown to be achievable in the first year (2024/25) through to the final consultation year, year four (2027/28).
- 3.19 For the purposes of managing the volume of options listed in the consultation simulator some options were grouped with others, where they were of a similar nature. The list of all of the options that were available to the public is included in Appendix 2, including the titles of the lower level detail options. The options have also been prepared to show the individual year in which savings are planned for implementation.

- 3.20 Access to the current versions of Integrated Impact Assessments is provided through this report to each of the budgets options shown.
- 3.21 Included in Appendix 2 is the option in relation to Council Tax. The Council Tax is a vital income stream for the Council, therefore it is important that due consideration is given to changing this as part of the budget setting process. The Council has the power to set Council Tax, and in exercising that power will have to include consideration of the financial position, the financial settlement received from Scottish Government and any conditions or penalties that apply to our funding. I have included, as Chief Officer – Finance, my planning assumptions for Council Tax over the next four years in the Appendix, which were based on inflation levels and the expectation of this falling over time.
- 3.22 Looking at the data from the consultation approximately 40% of respondents indicated a preference for no rise in Council Tax.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no financial implications arising directly from this report, however the content of the report describes the current estimate for the financial parameters next year, that will be further updated and presented to the Council in March 2024 to approve the Budgets for 2024/25, and set Council Tax for that year.
- 4.2 The General Fund financial position for 2024/25 has changed from a budget gap of £35m (described in the MTFFS 2023) to a revised gap of £20.382m.
- 4.3 The Phase 2 Budget Consultation simulator sought feedback on a budget gap over four years of £83m and options to close that gap were presented in the form of how to save money by reducing, stopping, changing services that are currently delivered; or how to increase income from our services through fees and charges and also by raising the rate of Council Tax.

#### **5. LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications in this report as no decision is required at this stage.
- 5.2 Aberdeen City Council has to comply with the Equality Act 2010 by giving due regard to the needs of the public sector equality duty. All budget options that are presented to Elected Members in 2024 will be subject to appropriate Integrated Impact Assessments, and all options will also be assessed for any specific legal implications.

#### **6. ENVIRONMENTAL IMPLICATIONS**

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

#### **7. RISK**

<b>Category</b>	<b>Risks</b>	<b>Primary Controls/Control Actions to achieve Target Risk Level</b>	<b>*Target Risk Level (L, M or H)</b> <small>*taking into account controls/control actions</small>	<b>*Does Target Risk Level Match Appetite Set?</b>
<b>Strategic Risk</b>	Use of the General Fund fails to achieve intended strategic objectives.	Commissioning approach and service design built around stretch outcomes in the LOIP.	L	Yes
<b>Compliance</b>	Not preparing to set a balanced budget and set council tax.	Scrutiny and checking of budget proposals by S.95 Officer, reports and budget pack prepared with appropriate detail to enable and support decision making.	L	Yes
<b>Operational</b>	Options available to balance the budget have an adverse impact on the volume and quality of the services delivered.	Consulting on the options provides insight into the views of the public and implications that may arise.	M	Yes
<b>Financial</b>	Assumptions and judgements used for budget model and options are very different from what the Council faces in 2024/25 leading to additional	The latest and most up to date information has been used to calculate and shape the budget model and will continue to be refined in advance of the Budget Report being prepared.	H	Yes

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
	<p>action having to be taken during the year.</p> <p>Poor financial sustainability</p>	<p>The report provides details of options that are generally of a recurring nature and would provide the opportunity to balance the budget on a sustainable basis for 2024/25.</p> <p>information by services and corporately by Elected Members.</p>	M	Yes
<b>Reputational</b>	<p>Failure to prepare to manage finances including the potential impact on the Council's credit rating.</p>	<p>Year-round approach to financial planning, including Medium-term financial planning refreshed annually, options identification and transformation programme actions being progressed.</p>	L	Yes
<b>Environment / Climate</b>	<p>Failure to recognise the local vision and national targets and to make choices that support the delivery of target.</p>	<p>Service redesign work will consider, where appropriate, the environmental impact of changes.</p>	M	Yes



## 8. OUTCOMES

<u><a href="#">COUNCIL DELIVERY PLAN 2023-2024</a></u>	
<b>Impact of Report</b>	
<p><b>Aberdeen City Council Policy Statement</b></p> <p><u><a href="#">Working in Partnership for Aberdeen</a></u></p>	<p>Financial planning, budget setting and resource allocation are all enablers for the delivery of the outcomes and regular performance reviews ensure that the Council's stewardship and financial management are robust.</p>
<u><a href="#">Aberdeen City Local Outcome Improvement Plan 2016-26</a></u>	
<p>Prosperous Economy Stretch Outcomes</p>	<p>Robust and effective management of the Council's finances will ensure that services can continue to be provided, which are in pursuit of the stretch outcomes.</p>
<p>Prosperous People Stretch Outcomes</p>	<p>Robust and effective management of the Council's finances will ensure that services can continue to be provided, which are in pursuit of the stretch outcomes.</p>
<p>Prosperous Place Stretch Outcomes</p>	<p>Robust and effective management of the Council's finances will ensure that services can continue to be provided, which are in pursuit of the stretch outcomes.</p>

## 9. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Integrated Impact Assessment</b>	<p>The Council must have due regard to protected characteristics under the Equality Act 2010. The budget proposals presented in this report are subject to impact assessment screening by the relevant Chief Officers. This enables officers to ensure proactive steps are taken to identify and mitigate any potential discrimination and violation of human rights and children's rights.</p> <p>Feedback from the Phase 2 Budget Consultation is being used in completing the Integrated Impact Assessments.</p> <p>The draft IIAs for the described budget options are available to elected members.</p>
<b>Data Protection Impact Assessment</b>	Not required
<b>Other</b>	The Fairer Scotland Duty places a legal responsibility on the Council to actively consider how inequalities of

	outcome, caused by socio-economic disadvantage, can be reduced. Budget options described in this report are subject to consideration of the Fairer Scotland Duty as part of impact assessment screening.
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## 10. BACKGROUND PAPERS

- 10.1 Medium Term Financial Strategy, 2023 [RES/23/250].
- 10.2 [Budget Protocol 2023](#)

## 11. APPENDICES

- 11.1 Appendix 1: Budget Consultation 2023 Phase 2 - Summary Analysis
- 11.2 Appendix 2: Draft Budget Options

## 12. REPORT AUTHOR CONTACT DETAILS

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