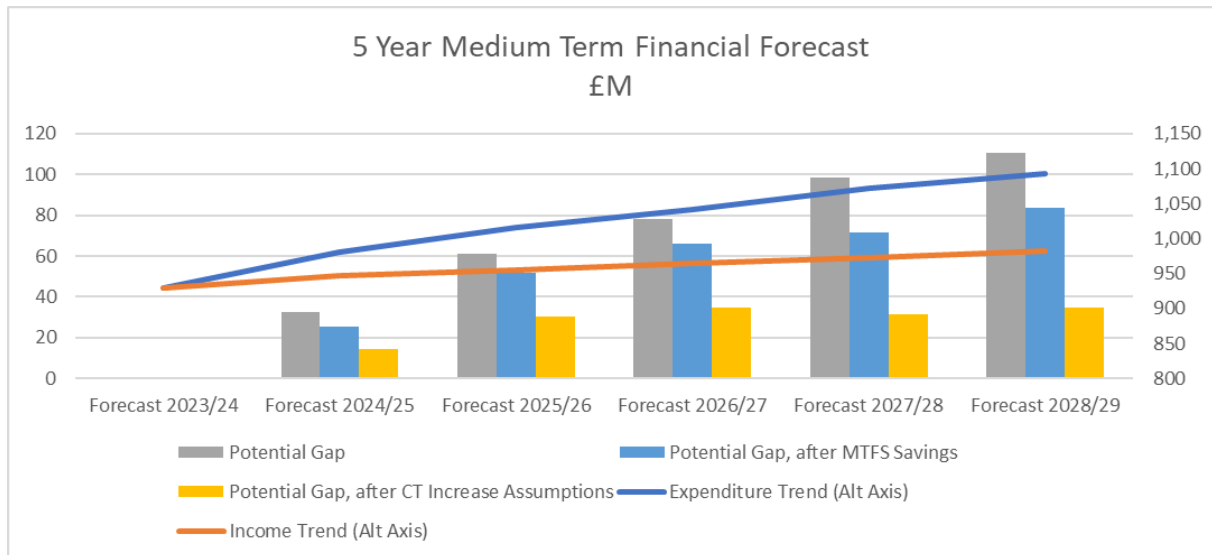


Building the Budget Service Commissioning and Resource Allocation:

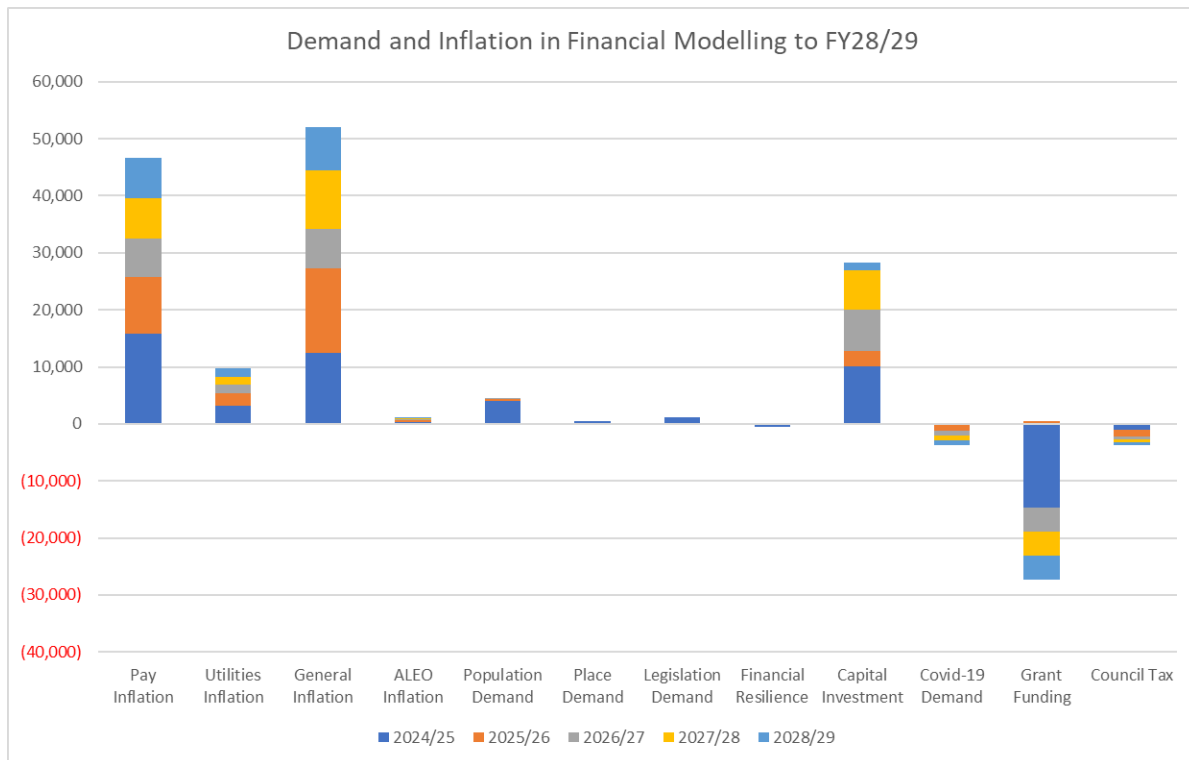
Building the Budgets and Implications for 2024/25

The commissioning led approach to redesigning our services resulted in a financial model that anticipates a need to offset rising demand and costs where the income level is predominantly constant. The Potential Gap, reflects the overall (Gross) budget gap that is forecast to accumulate because of rising costs outstripping income.

The Medium Term Financial Strategy 2023, introduced the assumed savings from Transformation, both as a Council and across our multi-agency partners, and these savings have been assumed, the impact of this is shown by the centre (blue) columns, the gap reducing as the recurring savings take effect. The right-hand (gold) columns show what can be achieved to address the gap if recommended increases to Council Tax rates are applied – 8% in 2024/25 reducing by 1% annually until a 5% annual increase is assumed from 2027/28 onwards. This is shown by the following graph:



The financial model for 2024/25 – 2028/29, including the focus on demand can be expressed as shown in the following graph.



The solution to where that balance should be achieved has been based on the work undertaken to refine our approach to resource allocation. The insight into where and how strategic resource allocation can be further enhanced ties into the engagement by the Community Planning Partnership, having undertaken extensive work as part of refreshing the Local Outcome Improvement Plan in 2021. The insight into financial priority and the views that communities express have been assisted this year by the consultation exercises that have been undertaken, phase 1 undertaken in July 2023 explicitly asked for views on preferences. Balancing what can be done to change and redesign Council services, particularly in the short term, with finite and reducing resources inevitably means there is conflict.

The redesign of services must focus on core elements of the budget, namely Staff, Assets, Spend and Income, the total of which must be met by Scottish Government Grant (including Non-Domestic Rates) and Council Tax income.

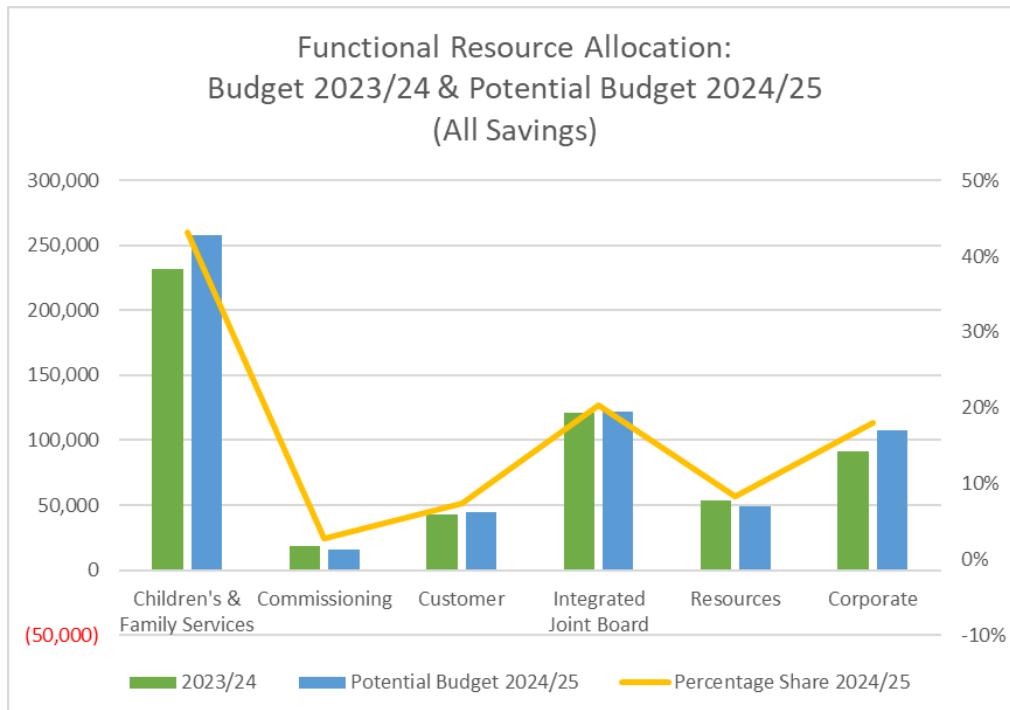
Building the Budget:

Chief Officers together have been asked to shape the budget based on the various factors that have been identified as part of the commissioning approach. This is expected to address identified demand and to be constrained by the overall financial resources available. Contingencies are included in the overall budget at a corporate level to help to address unknown demand and need.

Looking carefully at our statutory obligations and duties alongside the fixed cost nature of many of our services – whether that is buildings, staff or contracts – and in the context of the Local Government Settlement conditions in respect of teacher numbers, protection of funding for Health & Social Care Integration Joint Boards there is surprisingly little discretion and room for manoeuvre.

Inevitably there are some elements of the budget that need to reflect the uncertainty that exists, examples include where inflation will impact the Council utilities and pay awards; these are provided for at a corporate level – the lack of agreement on 2022/23 pay awards means significant provision / contingency is held in the Corporate ledgers at present.

The purpose of all of this is to enable Chief Officers to construct a budget that meets the Council’s Commissioning Intentions, set out in the Council Delivery Plan, and their service redesign objectives, while fulfilling the overall requirement for balancing the budget. This helps to empower Chief Officers and supports accountability and responsibility, rather than having adjustments made from the ‘corporate centre’.



Based on the services being recommissioned for 2024/25, indicative budget values are shown in the next table:

General Fund 2024/25

Reconciliation of current year Budget, the 2023 Medium Term Financial Strategy for financial year 2024/25 and the Draft Budget for 2024/25

General Fund	Budget 2023/24	MTFS, 2023 Forecast 2024/25	Draft Budget 2024/25	Variance Budget Draft 2024/25 v Budget 2023/24	Variance Budget Draft 2024/25 v MTFS 2024/25
	£'000	£'000	£'000	£'000	£'000
Children's & Family Services	232,160	245,123	257,759	25,599	12,635
Commissioning	18,565	20,776	16,078	(2,487)	(4,698)
Customer	42,404	47,800	44,493	2,089	(3,308)
Integrated Joint Board	120,781	120,781	121,926	1,145	1,145
Resources	53,259	63,230	49,455	(3,805)	(13,775)
Corporate	91,725	104,564	107,967	16,242	3,403
Net Expenditure	558,894	602,275	597,677	38,783	(4,598)
Funded By					
General Revenue Grant	(154,116)	(158,466)	(243,079)	(88,963)	(84,613)
NNDR	(257,797)	(257,797)	(208,113)	49,684	49,684
Council Tax	(137,908)	(138,977)	(150,760)	(12,852)	(11,783)
Use of Reserves	(9,072)	(3,577)	(4,328)	4,744	(751)
Core Funding	(558,894)	(558,818)	(606,281)	(47,388)	(47,463)
Net Impact on General Fund	0	43,457	(8,605)	(8,605)	(52,061)
MTFS Assumptions Recurring Savings from:					
Council Transformation	0	(7,611)	0	0	7,611
Multi-Agency Transformation	0	(500)	0	0	500
Efficiencies	0	(335)	0	0	335
Net Position (Central Scenario)	0	35,011	(8,605)	(8,605)	(43,615)
Council Tax rate inc. @8%	(11,033)	(11,033)	0	11,033	11,033
MTFS-Exp. Assump. (Inf/Dem/etc)	43,381	0	0	(43,381)	0
MTFS-Inc. Assump. (CT,SG)	76	0	0	(76)	0
MTFS Transformation savings	(7,246)	1,200	0	7,246	(1,200)
Budget Update, Council Dec'23	(14,829)	(14,829)	0	14,829	14,829
LG Settlement 24/25, SG Dec'23	3,959	3,959	0	(3,959)	(3,959)
Budget Options 24/25 recurring	(22,011)	(22,011)	0	22,011	22,011
Budget Options 24/25 non-recurring	(902)	(902)	0	902	902
Movement to Draft Budget	(8,605)	(43,615)	0	8,605	43,615
Potential General Fund Position	(8,605)	(8,605)	(8,605)	0	0

Note: values shown are subject to change pending the budget decision. The posting of corporate adjustments have been held until the final budget position is reached.

Recommissioning our services continues to impact on the way in which our services will be delivered, taking account of the continued aim to reduce the total workforce, implementation of the digital programme and switching focus to prioritising our outcomes and legal obligations.

The wide-ranging implications of the redesigned services, which tackle demand and move the Council towards allocating resources for prevention and early intervention, must consider the financial sustainability of services and recognise areas where the Council should decommission.

Our corporate service design approach has included consideration of the following potential elements to ensure consistency and a comprehensive approach to building our services:

- *Staff*: recognising current and reducing staffing levels, identifying the opportunities within the Operating Model to consolidate, amalgamate or shift service areas to better meet the needs of our customers and enable the delivery of our outcomes.
- *Assets*: review the use of operational buildings, the need and suitability of the properties to deliver the services needed, consider the flexibility and alternative options for how we work, taking advantage of digital transformation, mobile and alternative locations.
- *Spend*: review the contract registers, consider duplication of commissioned services, review frameworks that could be used to replace existing contracts or to bring contract spend onto a framework agreement.
- *Fees and Charges*: understand the Service Income Policy and the relationship that the service has with charging, local discretion, national pricing, partial recovery and full cost recovery; consider the sustainability of services that can be charged for and think about the commercial opportunities to raise additional income that covers more than cost. The sustainability of charging to other Council accounts needs to be reviewed.
- *Ring-Fenced Grants*: this funding is not guaranteed, and costs must be contained within funding made available. A review of the recurring nature of this funding should be considered and the implications if it were to stop.
- *Net Zero Vision*: increasingly prominent in our work, the Council has set out its vision for contributing to the national targets and making that transition as a city. The design of our services has to factor in how they will contribute to the Council's net zero ambitions.

Prevention & Early Intervention

Using our 3 Tier framework for presenting the draft budget, having applied the savings that have been included in the budget report the shape of the budget for 2024/25 can be shown in the following table:

GENERAL FUND 2024/25	Total	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
MTFS - Budget Scenario	£'000	£'000	£'000	£'000	%	%	%
Childrens And Family Services	262,733	198,220	21,852	42,661	75%	8%	16%
Commissioning	19,806	10,530	6,208	3,069	53%	31%	15%
Customer	45,995	24,960	14,103	6,931	54%	31%	15%
Integration Joint Board	121,926	(6,487)	92,345	36,069	-5%	76%	30%
Resources	59,112	40,700	8,290	10,123	69%	14%	17%
Corporate	117,513	104,762	2,966	9,784	89%	3%	8%
Gross Expenditure	627,084	372,685	145,764	108,636			
		59.43%	23.24%	17.32%			
Impact of Savings for 2024/25							
Council Tax	(11,033)	(11,033)	0	0	100%	0%	0%
Total Council Tax Rate Increase	(11,033)	(11,033)	0	0			
		100.00%	0.00%	0.00%			
Childrens And Family Services	(500)	0	0	(500)	0%	0%	100%
Commissioning	(522)	(495)	(14)	(14)	95%	3%	3%
Customer	(182)	(145)	(17)	(20)	80%	9%	11%
Resources	(4,565)	(4,130)	(332)	(103)	90%	7%	2%
Corporate	(1,477)	(1,477)	0	0	100%	0%	0%
Total MTFS Transformation Savin	(7,246)	(6,247)	(362)	(637)			
		86.21%	5.00%	8.79%			
Childrens And Family Services	(4,538)	(3,959)	(295)	(284)	87%	7%	6%
Commissioning	(2,305)	(2,221)	(80)	(4)	96%	3%	0%
Customer	(1,321)	(1,012)	(237)	(72)	77%	18%	5%
Resources	(5,027)	(2,921)	(1,932)	(173)	58%	38%	3%
Corporate	(8,070)	(8,052)	(9)	(9)	100%	0%	0%
Council Tax	(750)	(750)	0	0	100%	0%	0%
Total Budget Options	(22,011)	(18,915)	(2,553)	(543)			
		85.94%	11.60%	2.47%			
Additional Funding Source	(902)	(902)	0	0	100%	0%	0%
Total Additional Funding	(902)	(902)	0	0			
		100.00%	0.00%	0.00%			
DRAFT BUDGET 2024/25							
General Fund	£'000	£'000	£'000	£'000			
Childrens And Family Services	257,695	194,261	21,557	41,877	75%	8%	16%
Commissioning	16,077	6,912	6,114	3,051	43%	38%	19%
Customer	44,492	23,802	13,850	6,839	54%	31%	15%
Integration Joint Board	121,926	(6,487)	92,345	36,069	-5%	76%	30%
Resources	49,520	33,648	6,026	9,846	68%	12%	20%
Corporate	107,966	95,234	2,957	9,775	88%	3%	9%
Gross Expenditure	597,675	347,370	142,848	107,457			
		58.12%	23.90%	17.98%			
Funded By							
General Revenue Grant	(243,079)						
NNDR	(208,113)						
Council Tax	(150,760)						
Use of Reserves	(4,328)						
Core Funding	(606,281)						
Net Impact on General Fund	(8,606)						

In the current climate, with funding reducing and services having to be reduced, restricted or stopped, to balance the budget, if all of the savings were applied to the budget model then there would be a slight shift from prevention (Tier 1) to both early intervention (Tier 2) and response (Tier 3). Individual budget choices will impact the final budget position.

APPENDIX 7

The Council asked the Group entities and Tier 1 Arm's Length External Organisations to analyse their income and expenditure in accordance with the Prevention 3 Tier approach. The Council will continue to work with them to refine and develop how this sits alongside the Council analysis. It will do this through the work of the ALEO assurance hub.

A table showing the current year, 2023/24 Net Budget and Expenditure analysed over the 3 Tiers is shown below as an example:

Group / ALEO	Total 23/24 Net	T1 23/24 Exp	T2 23/24 Exp	T3 23/24 Exp	T1 23/24 Exp	T2 23/24 Exp	T3 23/24 Exp
	£'000	£'000	£'000	£'000	%	%	%
Electricity Income	(5,197)	0	0	0	0%	0%	0%
Gas & Electricity	5,822	5,822	0	0	100%	0%	0%
Heat Income	(3,647)	0	0	0	0%	0%	0%
Interest & Other Income	(35)	0	0	0	0%	0%	0%
Maintenance Income	(337)	0	0	0	0%	0%	0%
Other	2,136	2,136	0	0	100%	0%	0%
Pro-active Maintenance	712	712	0	0	100%	0%	0%
Reactive Maintenance	456	0	456	0	0%	100%	0%
Aberdeen Heat and Power	(90)	8,670	456	0	95%	5%	0%
Box Office	(503)	396	0	0	100%	0%	0%
Building Operations	1,016	1,326	0	0	100%	0%	0%
Corporate	393	1,679	0	0	100%	0%	0%
Creative Learning & Producing	254	217	72	0	75%	25%	0%
Other	670	670	0	0	100%	0%	0%
Programming & Festivals	(593)	5,217	1,739	0	75%	25%	0%
Trading	(669)	1,327	0	0	100%	0%	0%
Aberdeen Performing Arts	569	10,833	1,811	0	86%	14%	0%
Aberdeen Sports Village	(237)	5,789	0	0	100%	0%	0%
Other	1,723	1,723	0	0	100%	0%	0%
Aberdeen Sports Village	1,486	7,512	0	0	100%	0%	0%
Care at Home	0	9,042	0	1,317	87%	0%	13%
Care Homes	0	0	12,198	0	0%	100%	0%
Other	0	6,406	2,654	172	69%	29%	2%
Very Sheltered	0	0	3,939	0	0%	100%	0%
Bon Accord Care	0	15,448	18,792	1,489	43%	53%	4%
Adventure Centres	(39)	470	1,097	0	30%	70%	0%
Golf Courses	(120)	1,419	355	0	80%	20%	0%
Outdoor Pitches & Sportsgrounds	483	433	216	216	50%	25%	25%
Outreach Work	367	0	603	1,408	0%	30%	70%
Sport Centres	680	2,433	2,433	1,216	40%	40%	20%
Swimming Pools	(873)	347	1,213	173	20%	70%	10%
Sport Aberdeen	496	5,101	5,918	3,014	36%	42%	21%
Total Group / ALEO	2,461	47,563	26,977	4,503	60%	34%	6%