MEDIUM TERM FINANCIAL STRATEGY FOR THE COUNCIL'S GENERAL FUND, 2024

ABERDEEN CITY COUNCIL

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1. INTRODUCTION

1.1 The Medium Term Financial Strategy (MTFS) is a 5 year plan which sets out our commitment to provide services that meet the needs of people locally and represents value for money. The MTFS is aligned to the Council Delivery Plan, which in turn aligns the Council's commitments to the vision and priorities of the Local Outcome Improvement Plan.

1.2 The Local Outcome Improvement Plan's (LOIP) vision is:

'A place where all people can prosper'

1.3 The Council, 24 August 2023 [CUS/22/171], agreed the Target Operation Model (TOM) 1.2 for 2022-27 to support the necessary scale of transformation to deliver the level of savings required over the next 5 years, as outlined in the Medium-Term Financial Strategy (MTFS). The objectives of TOM 1.2 are:

1. Support the Council to address the 5-year funding gap of £134m as outlined in the [2023] MTFS.
2. Continue to exploit digital technologies within the Council's Digital Transformation agenda to enable services to adopt technology for various activities and processes, thus enabling the Council to fully leverage technologies to accelerate their processes.
3. Develop an organisational workforce that is flexible ensuring all staff have the necessary skills to work effectively within the Council's operating model. :

1.4 Our approach to achieving this is by organising ourselves for the future. The key strategic linkages to create a future environment for the way in which we will operate can be summarised in the following dimensions:

- The nature of our work (why we work) - we work to prevent our citizens from experiencing negative and harmful outcomes and increasingly will be providing less direct service delivery and focusing more on helping our citizens, families, and communities to be empowered to help themselves and each other.
- Building our 'Workforce' of the future (how we work and how we behave) - enabled by technology, the public sector and partner organisations have, and will increasingly make use of, more varied work arrangements, accessing more diverse pools of skills and capabilities, both inside, outside and across organisational boundaries. As a result of the next phase of our digital maturity journey, our staff will undertake less and less transactional work, thereby creating more capacity for our workforce to focus on building relationships with citizens and supporting community capacity building. We will work with a singular focus on outcomes, working as groups of staff to make our contribution to those outcomes. And as teams, we will enjoy increased empowerment and flexibility.
- Re-imagining our 'Workplace' of the future (where we work) - technology, and new models for employing talent, are starting to redefine the workplace and its organisational supports. These changes have and will continue to impact physical

workspaces (including remote and hybrid work) along with policies that promote employee well-being. We will no longer define our workplace by a defined building and instead will view our workplace as wherever we can best serve our citizens

1.5 The key objectives of the MTFS are as follows:

- To ensure that effective financial planning and management contributes to the Council achieving the priorities in the Council Delivery Plan;
- To frame and define the parameters for financial decisions to be taken;
- To direct resources to the Council's priorities to support the achievement of the Council Delivery Plan;
- To highlight and promote the maximisation of income to support the priorities of the council;
- To identify the context within which decisions about resource allocation will have to be made;
- To highlight the need to improve value for money - managing our resources as efficiently as possible; streamlining processes and systems; getting better value from commissioning and procurement; whilst seeking to minimise the impact of budget savings on priority services; and
- To ensure the Council's financial standing is understood and identify where action is needed to enhance financial resilience.

1.6 The merits of medium and long-term financial planning are well documented[1] and a key component of the council’s strategic framework, building on the medium-term focus that has underpinned annual budget setting. The aim of a Medium Term Financial Strategy (MTFS) is to pull together in one place the known factors affecting the financial position and financial sustainability of an organisation over the medium term.

1.7 Supporting financial planning relies on national and local data, from which assumptions emerge, that can be applied to a range of scenarios. Due to the nature of a local authority, it is not in control of all the determinants of its income and cost base, and crucially this includes the financial support provided from public funds. Many statutory services are provided free at the point of delivery / use and therefore the scale, scope and shape of services is substantially determined by how much subsidy (grant) is provided in total. Complexity multiplies as the statutory duties and commitments increase.

1.8 The ability of a local authority to develop medium and long-term financial planning is significantly influenced by the following factors:

- the ratio between locally and nationally determined levels of taxation and fees and charges and the prospects of this changing over time; and

[1] Example, CIPFAs Looking Forward – Medium Term Financial Strategies for the UK Public Sector, 2016

- whether government provides certainty regarding the level of government grant beyond the immediate next financial year.

1.9 Global events have brought an immediacy to action in recent years, particularly the global health pandemic that occurred in 2020 and the Russian invasion of Ukraine in 2022, to name but two, and therefore it continues to be difficult to look ahead of what is needed now. While the health pandemic continues to have a longer than expected impact on citizen, business and visitor behaviours it can be said that the impact of dispersal, asylum and welcome schemes is now a dominant factor on the cost and demand placed on the Council. This is something that is not short term, and will have an impact for the foreseeable future.

1.10 The recent sudden peak in inflation levels that the country had not seen for forty years, which are only now returning to pre Russian invasion and Bank of England target levels, makes the task of medium and long-term financial planning even more challenging. The long-term impact of higher costs of pay and commodity prices has added cost to the Council that changed the baseline, meaning the Council has to deal with future cost pressures that are greater than previously modelled.

1.11 The change in UK Government, as a result of the General Election in July 2024, has not changed the national need for financial support to address the 'Cost of Living Crisis'. The review of UK public finances carried out by the incoming government has already resulted in the termination of some funding programmes such as the Winter Fuel Payment Allowance, and the Prime Minister has issued a warning that the UK Autumn budget will be "painful". If this results in an expected reduction in household incomes then it impacts people and businesses and the Council receives more demand as a result.

1.12 With borrowing by the UK Treasury at levels not seen for many decades both the UK and Scottish Government will be required to make political choices in terms of what is affordable in the short, medium and long term.

1.13 The Scottish Government last published its full Medium Term Financial Strategy in May 2023[2]. This provided the context for the Scottish Budget and the Scottish Parliament. This updated the country following the last Resource Spending Review[3] that was published in May 2022. Priorities, commitments and actions for the year ahead were set out in the annual publication, Programme for Government 2022/23 which the First Minister refreshed in September 2024 with the 2024/25 update[4]. The Finance Secretary for Scotland also announced savings for the Scottish budget last month as a result of in-year financial pressures Further details which may impact for the 2025/26

[2] SG Medium Term Financial Strategy, 25 May 2023

[3] Investing in Scotland's Future: Resource Spending Review, 31 May 2022

[4] Scottish Government, Programme for Government 2024/25, September 2024

financial year are not expected until the Scottish budget is announced on 4 December 2024.

1.14 The UK Government 2023 Budget[5] followed the Autumn Statement 2022, which made decisions on tax and spending to counteract the financial shocks that had taken place in September and October 2022. The 2023 Budget described the "difficult decisions needed…to restore economic stability, support public services, and lay the foundation for long-term growth." The Budget was 'quiet' compared to the Autumn Statement and revealed that while the shorter term economic picture has improved slightly, the longer term one is little different to before. In particular, the potential future growth rate of the UK economy remains very poor, at 1.75% a year. This means that in the medium term there is, at present, no room for giveaways, in terms of tax cuts or spending increases, without breaching the Chancellors own primary fiscal target, a declining debt ratio after five years.

1.15 The UK Government 2024 Budget[6] was published in March 2024, though there may be significant changes announced in the Autumn by the new UK Government as it reviews the state of public finances.

1.16 The Council will recognise that with so much of its income outside of its control, the assumptions that underpin the MTFS cannot, by definition, be exact, they are subject to refinement and change over time. Therefore, a series of scenarios should be used to describe a range of income possibilities. This refresh of the MTFS focuses on the changes to a central scenario, while recognising upside and downside scenarios that have had to be revised to take account of the more extreme nature of the financial environment in which we operate. These scenarios are refreshed regularly as part of the budget setting and strategic planning processes.

1.17 The detail contained in this document reinforces the conclusion in the 2022 MTFS that the following principles are needed to guide our financial management approach, and there are additions given political developments in the last year.

1.18 Principles the council should follow for planning its income are:

1) Be prudent about the level of Scottish Government funding that will be provided in the local government settlement both in short, medium and long term.

2) Be prudent in the financial assumption regarding the funding of national priorities and commitments, and be agile to changes that the New Deal with Local Government (the Verity House Agreement[7]) may present – "From this point onwards, the default position will be no ring-fencing or direction of funding."

[5] HM Treasury, Spring Budget 2023, March 2023

[6] HM Treasury, Spring Budget 2024, March 2024

[7] New Deal with Local Government, June 2023, Verity House Agreement

3) Be aware of the potential threat of funding being removed if national priorities are not met.
4) Exercise the discretion it has over local taxation and increase the Band D charge for Council Tax annually to support future budgets.
5) Account for any income source that is non-specific as a corporate resource to support the whole revenue budget.
6) Identify and track funding streams being directed from UK Government such as the Levelling Up and Shared Prosperity Funds so that the Council can be pro-active in applying for funding that becomes available to support local outcomes.
7) Apply its Service Income Policy to support the effective and sustainable delivery of services where charges can be applied and exercise that discretion annually and collect the income that is rightfully owed.
8) Identify and evaluate emerging discretionary powers on a regular basis to determine their applicability to Aberdeen City, ensuring that decisions are taken in a timely manner to ensure maximum benefit is achieved.
9) Be aware in respect of the financial risks to the council from global events such as the Russian invasion of Ukraine, resettlement and dispersal schemes and the funding that may or may not accompany them.
10) Apply its approved Reserves Policy, retaining recommended uncommitted General Fund Reserves and thereby avoiding the use of one-off income streams for recurring costs.

1.19 Principles the council should follow for planning its expenditure are:

1) Scenarios are developed and the Chief Officer – Finance will, in conjunction with the Extended Corporate Management Team (ECMT), establish appropriate financial assumptions to apply.
2) Recognise that there should be a deliberate shift of resources towards prevention and early intervention actions, which is in line with the three tier intervention framework[8].
3) Develop its approach to strategic resource allocation to further shape where and how resources are deployed, noting the potential reduction in ring-fencing and direction through the Verity House Agreement. Through this approach we will attain greater understanding of how resources align to outcomes and the related impact and consequences of our decisions.
4) Local constraints should be minimised wherever possible to provide as much flexibility to achieve resource shift and deliver savings.

[8] Aberdeen City Council, March 2023, Prevention & Early Intervention (CUS/23/064)

5) Align commissioning intentions, service standards and budget allocations thereby ensuring council focuses on the very highest of priorities and on the most important outcomes.
6) Decommission services and/or reduce service standards where funding levels cannot sustain existing commissioning intentions and service standards.
7) Increase the scale of service redesign to address the emerging financial scenarios.
8) Recognise and act on the reality that financial challenges of the scale reported are not deliverable from small service budgets, and all have to contribute to achieving balance budgets and ensuring financial sustainability is to be addressed.
9) Annual efficiencies from all operations must be delivered.
10) Financial Resilience Framework data must be considered as part of decision making, including reference to the Risk Appetite Statement.
11) Capital investment revenue implications must be incorporated into financial scenario plans, both from ongoing operational delivery and capital financing perspectives.

1.20 Principles the council should follow for planning its capital investment are:

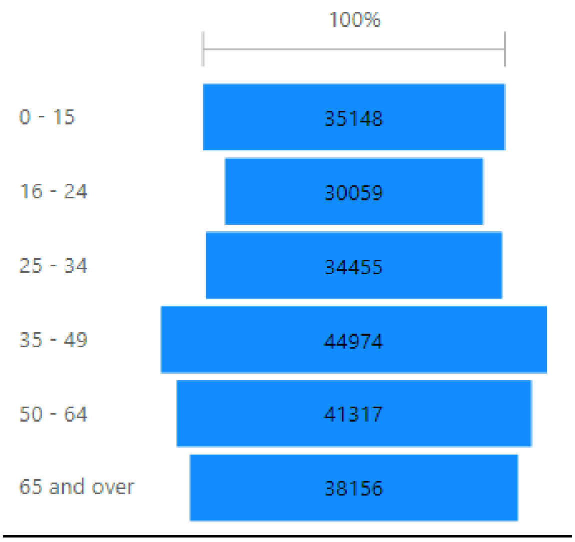
1) Capital investment must be prudent, affordable and sustainable, as defined by the Prudential Code.
2) The business case methodology must be used to document capital investment opportunities.
3) Revenue implications of capital investment opportunities must be identified and agreed with the Chief Officer – Finance to incorporate into the council's financial scenario planning.
4) Financial Resilience Framework data must be considered as part of decision making, including reference to the Risk Appetite Statement.
5) Identify and pursue external funding opportunities to support approved capital investment and council priorities.
6) Give priority to the projects that will deliver the greatest return, and this can be measured both financially and socially.
7) Develop a resilience to the current operating environment (e.g. supply chain, inflation, pandemic) and incorporate a contingency into the Capital Programme.
8) Consider and document the financial, legal and reputation implications of proposing to withdraw from legally or partially committed capital projects.

1.21 Aberdeen - Background and Context

1.21.1 Some of the financial challenges affecting the financial sustainability of all local authorities is the pressure from demographic change and corresponding rising demand. The following section highlights some of the main sources of demand and projected future pressures.

1.21.2 Population – Since the previous Medium Term Financial Plan the 2022 Census data has been published. This shows a significant change from the most recent mid-year population estimates published by National Records of Scotland (NRS). Those estimates recorded Aberdeen's population at 227,430, however, the Census figures show a population of 224,109. This difference (which is shown in the figure below) is, in the main, explained by NRS as an undercounting of outward migration in previous years. This methodological issue affected other Scottish cities similarly.

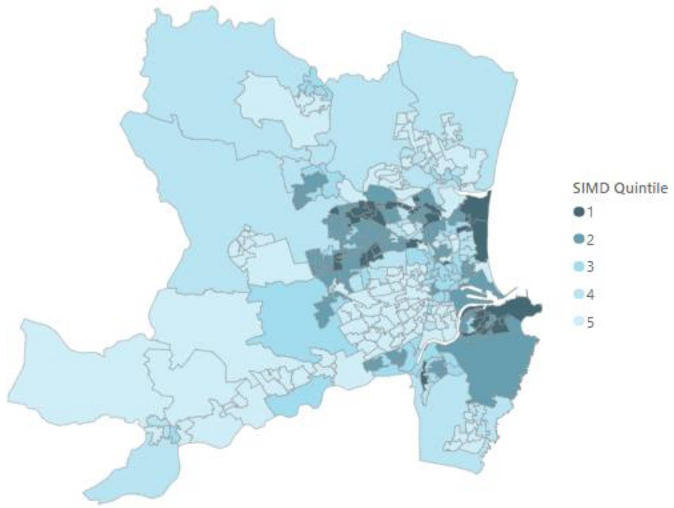
1.21.3 The age structure of the City's population as reported in the 2022 Census is shown below.



1.21.4 Housing – In 2023 there were 111,024 households in Aberdeen City – an increase of 1,304 (1.2%) on the number of dwellings in 2021. Whilst there is a considerable demand for housing in Aberdeen, in 2023, the average purchase price for a residential property in Aberdeen City was £177,681 down from £187,169 in 2022 and considerably lower than the 2015 peak of £220,665. The number of properties sold in 2023 decreased from 4,718 in 2022 to 4,128 in 2023. In 2022, the average monthly rent in Aberdeen City and Shire (Broad Rental Market Area) was £518 for a one-bedroomed property, £720 for a 2-bedroomed property, £1,020 for a 3-bedroomed property and £1,493 for a 4-bedroomed property. This represented an increase on average of around 8% compared to the average rents in 2022. Rents for all property types are lower than pre-2015 levels.

1.21.5 Deprivation - Within Aberdeen there are areas of significant deprivation and inequality. Aberdeen continues to have deprivation 'hot spots' that are amongst some of the most deprived areas in the country and these can lie adjacent to some of the least deprived areas. In Aberdeen, 29 areas are among the 20% most deprived in Scotland in 2020, 7 more than in 2016. Highest levels of deprivation are recorded for crime, housing and education domains. Whilst deprivation is a key driver of demand, it has, proportionately, a smaller impact on funding allocated to the council.

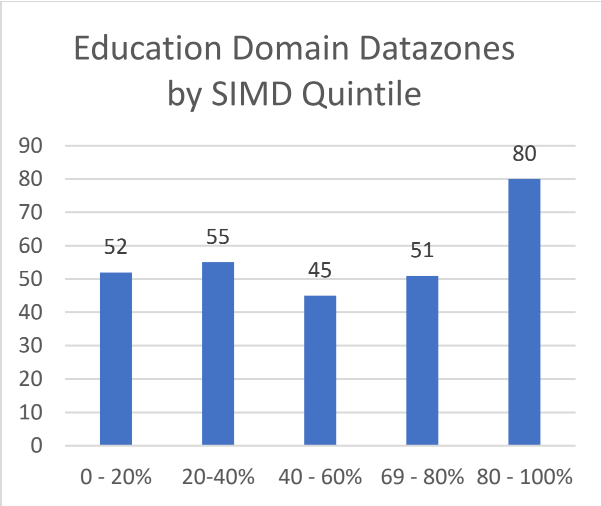
Areas of Multiple Deprivation 2020

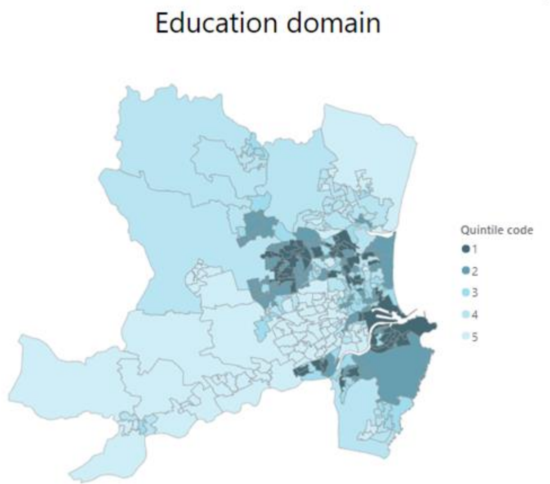


1.21.6 Education - Significant investment has been made, and continues to be made, to modernise the city's school buildings. In line with fluctuating population projections and the potential increase in digital methods of learning, the school estate will continue to be reviewed to ensure it matches future levels and nature of demand. Education is the single largest area of spend for the Council and most funding received is based on the population however due to the 'floor' mechanism in the distribution formula there is never a point at which funding 'catches up' with population increases.

1.21.7 There has been a considerable rise in demand for education and children's services. In 2023/24 there were 15,135 primary school pupils, compared to 14,573 in 2022/23 and 10,897 secondary pupils, compared to 10,430 in 2022/23. There were also 130 pupils enrolled in Special Schools. 784 pupils were either declared or assessed disabled. More than 4,000 pupils had an additional support need as a result of "English as an Additional Language".

1.21.8 There is significant variation in educational outcomes across different areas in Aberdeen with 52 datazones being classed within the 20% most deprived in Scotland for the education domain of the Scottish Indices of Multiple Deprivation in 2020.





1.21.9 <u>Children's Services</u> - Aberdeen has more than 500 children who are "looked after" by the authority (LAC). This is, proportionately slightly higher than the national average (2020 comparisons), a higher rate of the city's LAC are placed either with foster carers or in residential accommodation and a significantly higher proportion of Aberdeen's LAC have a recorded disability. The city is largely consistent with the national average of children on the child protection register (2020 comparisons).

1.21.10 The implementation of the National Transfer Scheme has seen an increase in the diversity of our children and young people with care experience. As a result, some unaccompanied minors require to be placed into our local residential children's homes given their age and stage. As would be anticipated, there is a level of need apparent in those seeking sanctuary in the city. It is exceptionally difficult to predict ongoing demand with any certainty.

1.21.11 The Public Health restrictions of the last few years, downturn in the local economy and increased costs being experienced by families, is impacting on the needs of children and families. There is a notable rise in vulnerability and need and this is increasing demand for more specialist services.

1.21.12 <u>Employment</u> - The labour market in Aberdeen has seen both challenges and positive developments in recent times. In 2023, the employment rate was 74.7%, a significant increase from 2022 (71.2%). The most common reason for economic inactivity, however, changed from "Student" in 2022/23 to "Long Term Sick" in 2023/24.

1.21.15 Claimant count provides data on individuals receiving out of work benefit. In Aberdeen City this had risen from 4,165 individuals in March 2020 to 9,295 by years end. Since February 2021, numbers have decreased and from June 2022 have remained around 5,200. Still higher than pre-covid.

1.22 Increased financial risk and sensitivity – What Covid-19 means for the short-term

1.22.1 After over 3 years of the UK having to respond and start to recover from the Covid-19 pandemic it remains the case that the city and the council feel the lingering effects of the restrictions, the changes in lifestyle and behaviours and in market conditions. How long these will last and whether they are simply the start of shift in what will be the future normal is hard to say.

1.22.2 On 5 May 2023[9], the World Health Organization (WHO) Emergency Committee on COVID-19 recommended to the Director-General, who accepted the recommendation, that given the disease was by now well-established and ongoing, it no longer fit the definition of a Public Health Emergency of International Concern (PHEIC).

1.22.3 The UK, like many other countries, have spoken about "living with the virus" and wound down many of the tests and social mixing rules and Dr Mike Ryan, from the WHO's health emergencies programme, said the emergency may have ended, but the threat is still there. "We fully expect that this virus will continue to transmit and this is the history of pandemics" and "In most cases, pandemics truly end when the next pandemic begins."[10]

1.22.4 The financial settlement for Scottish Local Government now contains no additional funding for Covid-19 related pressures, with Councils relying on funds retained on the balance sheet at 31 March 2023 to provide resilience into and beyond 2023/24. Implications that remain in 2024/25 are the continued loss of income from parking and loss of income from events and commercial ventures such as Marischal Square and TECA, although the remaining Covid-19 implications are now intertwined with the cost of living crisis, a high inflation environment and local economy that has not yet returned to pre-pandemic levels.

1.22.5 The impact on the next financial year and beyond is again difficult to predict with a high level of certainty. At a local government sector level, the speed and scale of economic bounce back economically is crucial to the financial settlement provided to local government, with 100% of the national non-domestic rates (NDR) income being allocated to local government. If the economic position doesn't demonstrate the ability to pay for NDR in 2024/25 then there must be concern over the adjustments that are needed to correct this in 2025/26 and beyond.

1.22.6 That said, the latest Scottish Government forecast[11], albeit now in need of refreshing, shows that the NDR pool is expected to increase by 9% in real terms between 2023/24 and 2027/28, showing more modest optimism than in 2022 when 20% increase was

[9] WHO, May 2023, Coronavirus disease (COVID-19) pandemic

[10] BBC News, May 2023, Covid global health emergency is over, WHO says

[11] Scottish Government, May 2023, Scotland's Fiscal Outlook, The Scottish Government's MTFS

forecast. While the Scottish Government must allocate the NDR to Local Government, all too often the increase attributable to NDR is deducted from the General Revenue Grant funding provided through the block grant resulting in the benefit funding other national priorities rather than core Local Government services.

1.23 Increased financial risk and sensitivity – Poverty and cost of living crisis

1.23.1 The recent Centre for progressive policy report[12] summarised the impact of the cost of living crisis in Scotland "Earlier this year, a report published by the Scottish Human Rights Commission set out in stark terms the scale of challenge faced in Scotland to reduce deprivation and inequalities.[13] Poverty rates are rising, and as wages have struggled to keep pace with the minimum amount of income needed to cover the basics, some 60% of adults in Scotland living in poverty are in working households."

1.23.2 Examples of what it really means for those in poverty was provided in the report "…high levels of food insecurity across the country, citing the significant increases in reliance on charitable food provision between 2008-2020, while data from the Trussell Trust suggests that the number of food parcels it has distributed in Scotland rose by 30% between 2021/22 – 2022/23."[14] On fuel and energy costs "…there is concern that the energy crisis will have decreased the likelihood that these targets[15] [for reducing fuel poverty] will be met."

1.23.3 The report[16] continued "Poverty rates are rising, and as wages have struggled to keep pace with the minimum amount of income needed to cover the basics, some 60% of adults in Scotland living in poverty are in working households Irrespective of geography, virtually all households in Scotland will have been impacted, in some form, by high inflation. A recent poll conducted by the Joseph Rowntree Foundation found that the cost of living crisis had pushed the majority of people in Scotland to cut back on essentials – 7 in 10 – with this figure rising to 8 in 10 for those living in lower income households."[17]

1.23.4 The type of pressure being felt in Aberdeen City is extracted from the report[18], where the comparison across all Local Authorities can been seen.

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[12] Centre for Progressive Policy, July 2023, The cost of living crisis across the devolved nations

[13] Scottish Human Rights Commission (2022). Submission to the United Nation's Committee on Economic Social and Cultural Rights. Available at: https:/www.scottishhumanrights.com/media/2398/2023-icescr-pswg-submission-to-un-for-publication.pdf

[14] The Trussell Trust (2023). Emergency food parcel distribution in Scotland: April 2022 – March 2023. Available at: https:/www.trusselltrust. org/wp-content/uploads/sites/2/2023/04/EYS-Scotland-Factsheet-2022-23.pdf

[15] *Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019*

[16] Centre for Progressive Policy, July 2023, The cost of living crisis across the devolved nations

[17] Cebula, C. & Birt, C. 2023). 10 cold, hard facts: Low-income Scottish families grow weary after another winter of the cost of living crisis. Joseph Rowntree Foundation [JRF]. Available at: https:/www.jrf.org.uk/blog/10-cold-hard-facts-low-income-scottish-families-growweary-after-another-winter-cost-living

[18] Centre for Progressive Policy, July 2023, The cost of living crisis across the devolved nations

Heatmap of Vulnerability indicators for Scottish Local Authorities:

Local Authority	Fuel Poverty	Food Insecurity	Child Poverty	Claimant Count	Low Pay	Economic Inactivity	Housing Costs
Aberdeen City	26.1%	7.6%	20.5%	2.5%	9.9%	24.9%	23.8%

Fuel Poverty	The % of households spending more than 10% of income on fuel costs and if the remaining household income is insufficient to maintain an adequate standard of living
Food Insecurity	The % of households within a local authority experiencing struggle with food insecurity
Child Poverty	The % of children who are living in households with below 60% median income after housing costs
Claimant Count	The % of the local population claiming unemployment-related benefits
Low Pay	The % of jobs that pay at least two-thirds below the UK median gross hourly pay by local authority
Economic Inactivity	The % of the working age population who are not in employment and not actively seeking employment
Housing Costs	The % of monthly take home pay required for someone earning the median in a local authority, to rent a median 1-bed property in the local authority area

1.23.5 The Council remains aware of the financial risks from its arm's length external organisations (ALEOs), reliant on large income streams from our citizens and visitors. And although all have remained self-sufficient throughout the challenges of the pandemic, the cost of living crisis and inflation/energy cost environment make trading conditions more and more difficult. The potential to require funding from the Council in economic shock situations remains a risk that cannot be fully mitigated.

1.24 Increased financial risk and sensitivity – Inflation and supply chain volatility

1.24.1 A combination of factors including ongoing market impacts from the pandemic, the UK's exit from the European Union and the invasion of Ukraine affecting access to supply markets in Russia, Ukraine and surrounding area, led to a massive rise in inflation during 2023 and a cycle of market and price volatility and shortages across many commodities. Although recent figures from the Bank of England are indicating inflation has returned to pre-Russion invasion levels, the negative impacts on the delivery of capital projects, on budgets (General Fund and HRA), and on revenue expenditure in the delivery of services and procurement processes carried out for affected commodities have become the "new normal"

1.24.2 According to the Bank of England[19], "Higher energy prices are one of the main reasons for this [inflation being higher than target]. Russia's invasion of Ukraine led to large increases in the price of gas. Households' energy costs have almost doubled since the start of last year [2022]. Higher prices for the goods we buy from abroad have also played a big role. During the Covid pandemic people started to buy more goods. But the people selling these have had problems getting enough of them to sell to customers. That led to higher prices – particularly for goods imported from abroad."

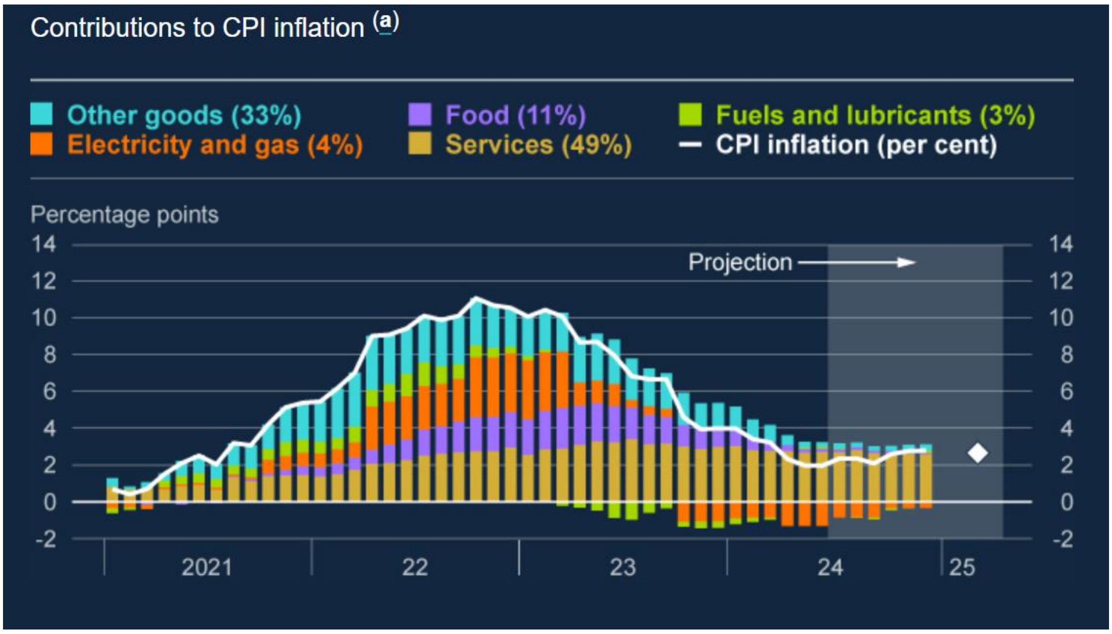
1.24.3 But is not just from products coming into the country, "There is also pressure on prices from developments at home. Businesses are charging more for their products because of the higher costs they face. There are lots of job vacancies as fewer people are

[19] Bank of England, May 2023, Monetary Policy Report

seeking work following the pandemic. That means that employers are having to offer higher wages to attract job applicants. Prices for services have risen markedly."

1.24.4 This has now been present in our economy for the last eighteen months and the impact on people and household budgets is significant. For the Bank of England "As a result, the UK economy is growing slowly."

Chart 1: Contributions to CPI Inflation, Bank of England, August 2024

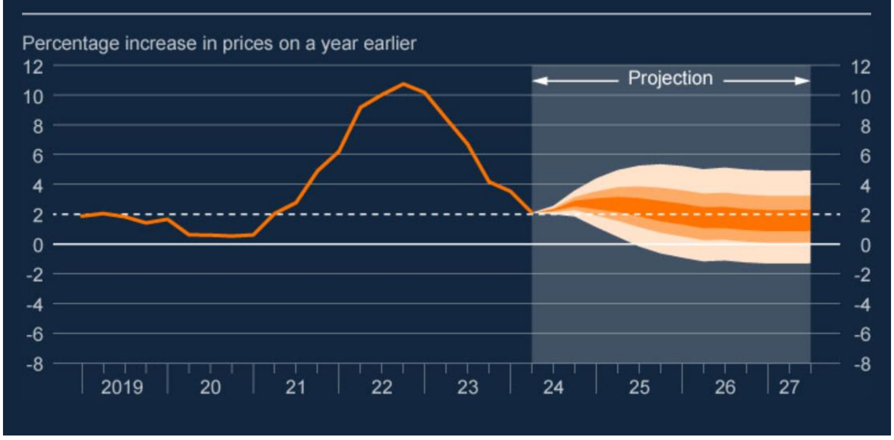


1.24.5 That forty-year high inflation across many parts of the world, including the UK, is presenting a significant challenge for organisations. The Monetary Policy Report[20] published by the Bank of England in August 2024 estimates that inflation peaked around the end of 2022 but only fell slowly through 2023 and into the first half of 2024. The long slow decline in inflation is now forecast out to 2027::

Chart 2: Inflation (CPI) Forecasts, Bank of England, August 2024

[20] Monetary Policy Report - August 2024 | Bank of England

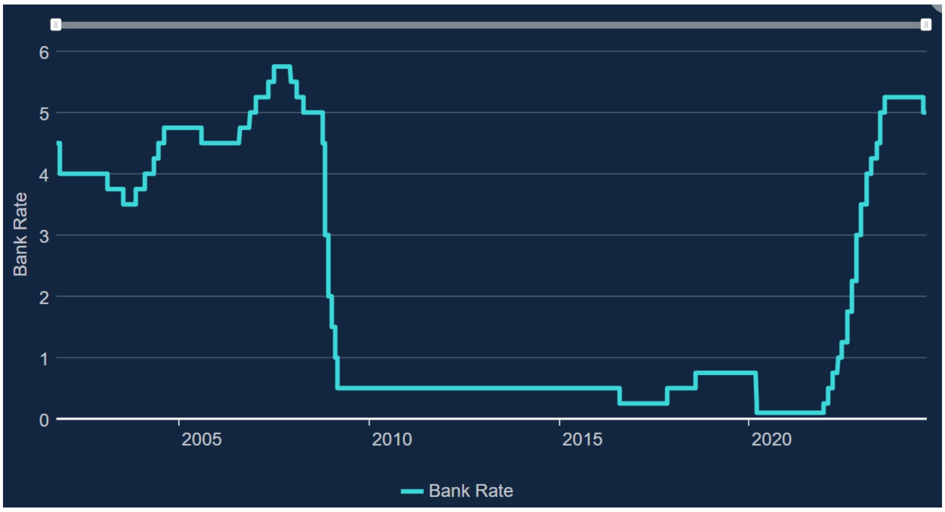
Chart 1.4: CPI inflation projection based on market interest rate expectations, other policy measures as announced



1.24.6 Lower inflation means that prices will stop increasing as quickly as they were. The Bank of England are clear "Our aim is to bring back low and stable inflation. Low and stable inflation is vital for a healthy economy. An economy in which households and businesses can plan for the future with confidence and money holds its value."[21]

1.24.7 As a result of the new inflation figures, in August 2024 the bank of England cut interest rates for the first time since August 2020, moving from 5.25% to 5%.

Chart 3: Bank of England Base Rates (%), May 2024



1.24.8 In pursuit of the low inflation goal the Bank of England acknowledge that they "…know that means that many people will face higher borrowing costs. Around one in three households in the UK have a mortgage. But high inflation that lasts for a long time makes things worse for everyone."

[21] [Bank of England, May 2023, Monetary Policy Report]

1.24.9 "Higher interest rates make it more expensive for people to borrow money and encourage them to save. That means that, overall, they will tend to spend less. If people on the whole spend less on goods and services, prices will tend to rise more slowly. That lowers the rate of inflation."

1.24.10 For the Council, it must consume many of the same goods and services that we all purchase, from ingredients for school meals, to fuel for our vehicles and buildings, these cost increases have not been reflected in the funding received in the past two years and therefore present an ongoing and material financial risk to the Council. To delivery our services there must be the funding in place to pay for the components – our staff, the buildings they work in and machinery and equipment they use and the goods and services that purchase.

1.25 Increased financial risk and sensitivity – External demand from population changes

1.25.1 There has been a considerable rise in demand for education and children's services. The 11% rise in school roll since 2019 can largely be attributed to the steep rise in international students attending Higher Education Institutions, around 2,500 dependants of international students were enrolled in our schools for the first time over school session 2022/23. Although the option for students to bring dependents into the UK was significantly restricted at the beginning of 2024[22], it did not directly reduce the numbers already here. There is also a notable decrease in the number of children transitioning into private education and increasing evidence of families returning to Local Authority schools. Notionally that constitutes a £14m cost to the Council, with the real day to day cost of increased numbers of teachers, pupil support workers and teaching spaces in use, being managed school by school taking on the additional variable costs as they arise.

1.25.2 The implementation of the National Transfer Scheme has seen an increase in the diversity of our children and young people with care experience. As a result, some unaccompanied minors require to be placed into our local residential children's homes given their age and stage. As a result, greater pressure is being placed on local resources resulting in the need for continued use of external and out of authority placements. Monitoring and assessing the young people, to determine the level of support required, places considerable pressure on children's social work services.

1.26 Increased financial risk and sensitivity – Council resilience

1.26.1 To counteract some of the risk, mitigation in place includes retaining funding provided in previous years that the Council has been able to avoid spending. This remains

[22] Tough government action on student visas comes into effect - GOV.UK (www.gov.uk)

available as earmarked reserves on the Council Balance sheet at the end of March 2024.

1.26.2 The Scottish Government has approved a few fiscal flexibilities in recent years, and these have been in place to provide a degree of support to the Council. The Council used the deferral of debt in order to balance the budget in 2022/23 and approved the use of the service concession flexibility as part of the 2023/24 budget. There are no further flexibilities that the Council can turn to.

1.26.3 The Council's approved Reserves Policy confirms a commitment to retaining a minimum of £12m of uncommitted General Fund reserves to rely on in an emergency. As at 31 March 2024 that commitment was met, with £12.153m held in the General Fund Reserve. Given current economic conditions outlined, increasing the uncommitted reserve would be prudent.

1.27 Increased financial risk and sensitivity – Scottish Government Grant Conditions

1.27.1 The unexpected introduction of Fair Work First conditions into Scottish Government grants from July 2023, and the "flowing down" of those conditions to Scottish Government agencies and bodies, created complex new grant compliance procedures in 2023/24. New administrative processes were required, and there is clearly an expectation from Scottish Government that the Council will take action to change the circumstances which required exemptions from Fair Work First to be granted for 2023/24 and 2024/25. As one of the key issues involves the pay levels of Craft Apprentices, which are currently set by a national pay agreement, the challenges and resulting costs of being able to find an acceptable solution should not be underestimated. Failure to comply may put at risk the Council's ability to access several Scottish Government funding programmes which align with the Council's ambitions for affordable housing, transport, and Net Zero.

1.27.2 These new grant conditions arrived the year after the Scottish Government introduced a link between funding and Local Government being able to maintain teacher and pupil support assistant numbers, and highlights the challenges in being able to keep grant funding flowing, whilst attempting to manage savings that do not conflict with Scottish Government direction, and having to sustain Health and Social Care Partnership Integration Joint Board funding.

1.27.3 The Verity House Agreement, signed in June 2023, between Scottish Government and Local Government under the New Deal for Local Government was supposed to introduce more flexibility for Local Government to apply its funding to the services it chooses to. Within the first year of the agreement the then First Minister announced a freeze on Council Tax for 2024/25, and with it neutralised Local Government's ability to apply its key fiscal power, at the same time undermining the principles on which the Agreement was based. To work in an environment where there is the threat of funding or powers being removed is not one that underpins positive working relationships nor delivers sustainable services or Local Government.

1.28 Conclusion

1.28.1 The council's operating environment remains extremely complex and multi-dimensional. The level of difficulty to manage current services with the constraints and financial pressures placed on the organisation is increasing.

1.28.2 A New Deal for Local Government was to be the springboard to improved relationships and also to improve the understanding of how our national and local outcomes are actually achieved over the medium and long term. At present however there are many risks hanging over the Council and not all of these can be addressed at a local level.

1.28.3 Demand and cost pressures arising from the financial environment are continuing and for the sustainability of the Council, we must find the balance between the limited funding that can subsidise our services and the level of services that we are able to provide. At a time of a cost of living crisis it is extremely difficult to find the right balance between finding savings and raising prices for our citizens and customers, those are the difficult decisions that Councillors must take, when there is increasing expectation of high ambition for improvement. This places pressure on the resourcing of all elements of council activity to the desired level and tension between where funds are deployed for best value.

1.28.4 Despite some funding from Scottish Government, to support pay awards since 2022/23, there is no recurring additional funding to support the legacy of the pandemic, nor additional funding to support our core services going forward. The Council is receiving one off funding for resettlement and asylum schemes which helps with the immediate need however the demand is not reducing and not expected to soon, so funding is squeezed further as we look forward over the medium term.

1.28.5 Drawing on the detail in Section 3, following the Scottish Government's Resource Spending Review, published in May 2022, and nothing contrary included in what is still the most recent Scottish Government MTFS, May 2023, the council must address the cost pressures it faces with a funding scenario that will offer no better than 'flat cash' for the foreseeable future. The potential of a 1% increase in cash in 2026/27 is in question given the forecasts and funding shortfalls that the Scottish Government has identified in its MTFS, and announcements about Scottish Government funding being made in September 2024. On an annual basis the Scottish Budget and associated Local Government Settlement will next confirm the full extent of the funding package for Local Government for 2025/26, and it is not expected that a multi-year settlement will be provided.

1.28.6 Council Tax remains the highest value financial lever that the council has, exercising an increase in the rate annually provides opportunity to increase income of a recurring nature although economic growth will have an impact on the value of uncollected sums and the overall rate of change in the number of chargeable properties.

1.28.7 Fees and charges (internal and external) should be expected to remain a positive contributor to the council although the impact of behaviour changes in our customers since the pandemic and also the cost of living crisis is certainly being felt in the current year and we should not be surprised by further shocks or unplanned changes to our income going forward.

1.28.8 Balancing the budget and MTFS using the mechanisms described in Section 5 will mean that proposals for a 2025/26 budget [and indicative budgets for the four subsequent years] will be submitted to council's budget meeting in March 2025. This will follow the second phase of public consultation on the various options that the Council has to balance budgets across the next four years. The second phase of consultation will take place in the Autumn and the results reported to Council in December 2024.

2. THE FUNDING CONTEXT BEYOND 2024/25

2.1 Economic Outlook

2.1.1 It is hard to believe that further financial shock and complexity would be added to our economy, so soon after a global pandemic, but the sheer extent of the cost of living crisis, the high inflation and high demand environment that has prevailed over the last year or more is evidence that the UK economy is still going through an escalated level of disruption and turmoil. This impact is felt by almost everyone through higher costs for energy, food, and daily living expenses. Additionally, housing costs are increasing, directly affecting those with variable or tracker mortgages and those renewing fixed-rate mortgages, and indirectly affecting tenants as private landlords pass on their cost increases.

2.1.2 The impact of the global pandemic, while now officially over[23], has brought about global changes in how we live our lives and the corresponding consequences for businesses and the economy. Today the legacy of the pandemic remains for individuals and for the economy and it is unclear what the medium to long term effects will be.

2.1.3 As the country, and the world, thought it was through the worst of the pandemic, this MTFS is presented in the context of continuing impact of the invasion of Ukraine by Russia in February 2022. This invasion has brought untold human misery to the people of Ukraine, who are caught up in a conflict that continues today with no end in sight. The UK has also been affected by this crisis, facing various economic and social challenges as a result.

2.1.4 The war has also brought repercussions for the global economy, which was already damaged by the pandemic, by supply bottlenecks and by rising inflation.

2.1.5 The OBR[24] observed that "A fortnight into the invasion, gas and oil prices peaked over 200 and 50 per cent above their end-2021 levels respectively." As the UK is a net importer of energy, higher global energy prices will weigh down an economy that is only just returning to pre-pandemic levels.

2.1.6 The City Growth and Resources Committee reported on the extent of the impact on the supply chain, commodity costs, and inflation, detailing how this volatility is affecting the Council. The real impact is being felt not only by the public sector but also by individuals, families, and businesses. The added costs are very real, and the squeeze on household and business incomes is evident as the cost of living crisis continues.

[23] World Health Organization (WHO), Coronavirus Disease (COVID-19) pandemic, May 2023
[24] OBR, March 2022, Economic and Fiscal Outlook

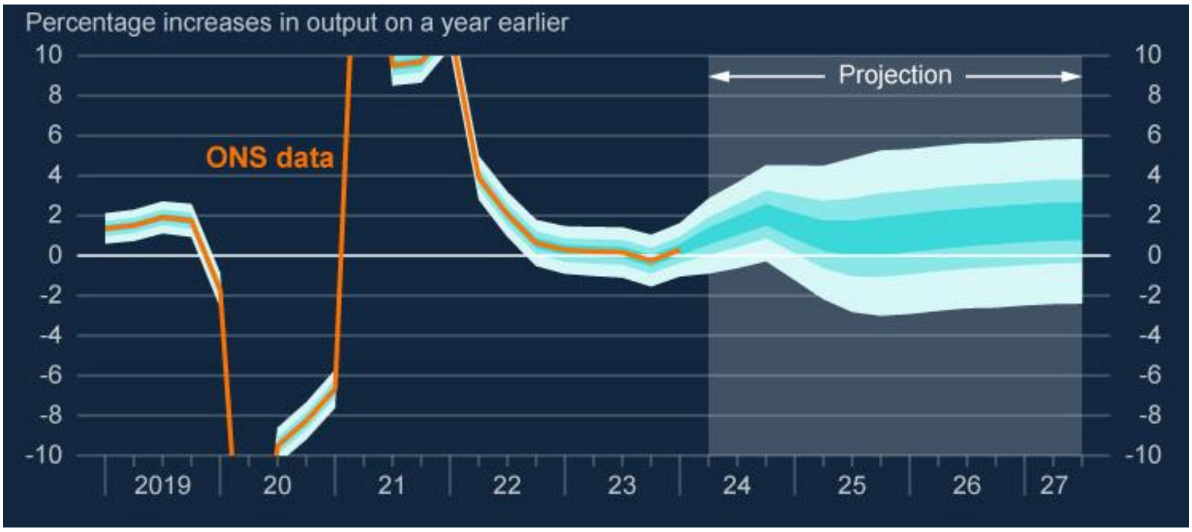
2.1.7 The OBR[25] forecasts that real household disposable income per person—a measure of real living standards—2022-23 remains the fiscal year with the largest year-on-year drop in living standards since ONS records began in the 1950s. However, the OBR now forecasts real household disposable income per person to recover its pre-pandemic peak by 2025-26.

2.1.8 Activity has picked up sharply this year, but underlying momentum appears weaker. UK GDP increased in Q1 2024 and is expected to have risen in Q2, though quarterly growth is projected to slow in the latter half of the year. The MPC's August projections, based on the Spring Budget 2024, indicate that GDP growth will dip slightly next year but then increase over the forecast period. This reflects the diminishing negative impact of past Bank Rate increases and a favourable path for interest rates. Global growth rates have converged, with UK-weighted world GDP expected to grow steadily. Household spending growth is anticipated to be slightly positive this year, with the saving ratio peaking before falling back. Housing investment is expected to grow moderately, and business investment is projected to grow steadily throughout the forecast period[26].

[25] OBR, March 2024, Economics and Fiscal Outlook

[26] Bank of England, August 2024, Monetary Policy Report

Chart 5: GDP growth projection based on market interest rate expectations, other policy measuresas announced

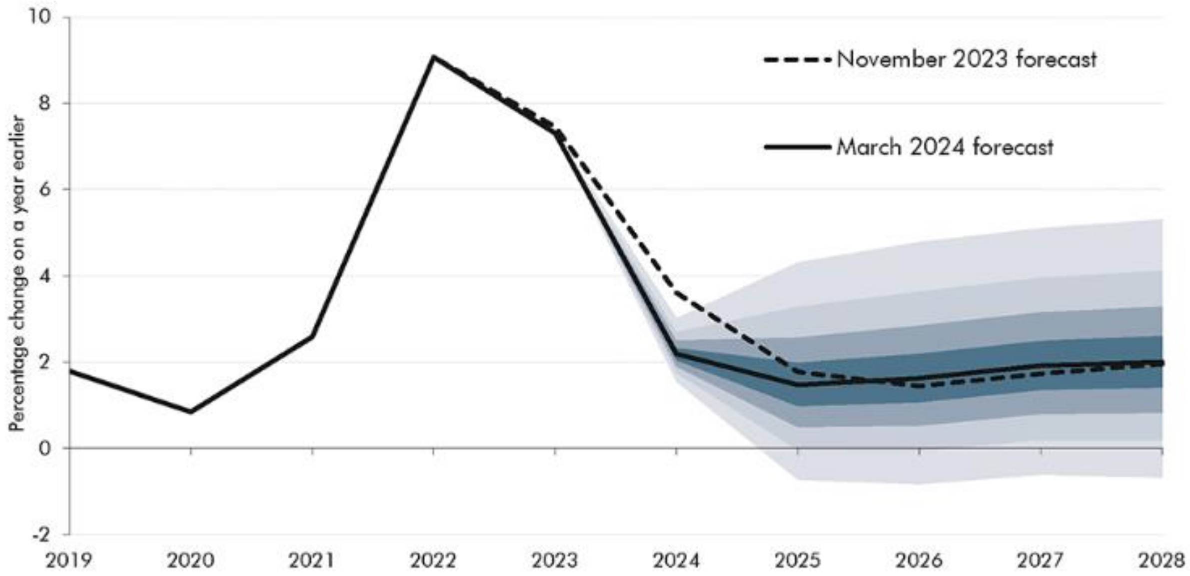


Source: Bank of England

2.1.9 CPI inflation dropped from a 41-year high of 11.1 per cent in October 2022 to 4.2 per cent in the final quarter of 2023. The OBR expect inflation to average 2.2 per cent over 2024, then slow to 1.5 per cent in 2025 before rising to the target rate of 2 per cent in 2028. But there is considerable uncertainty around this forecast from both domestic and external inflationary pressures, especially around energy prices[27]. To quantify this uncertainty, the OBR construct a fan chart that illustrates the range of possible inflation outcomes if past forecast errors were a reasonable guide to future ones

Chart 6: CPI Inflation

[27] OBR, March 2024, Economic and Fiscal Outlook



Note: Successive pairs of lighter-shaded areas around our forecast represent 20 per cent probability bands.
Source: ONS. OBR

2.1.10 The Bank of England, in their August 2024 Monetary Policy Report[28] forecast that CPI inflation will rise to around 2.75% in the second half of this year. This increase is expected as the declines in energy prices from last year fall out of the annual comparison, making the persistent domestic inflationary pressures more apparent. CPI inflation is then projected to fall back to 1.7% in two years and to 1.5% in three years, reflecting the continued restrictive stance of monetary policy and the emergence of a margin of slack in the economy.

2.1.11 They conclude that "The Committee continues to expect second-round effects in domestic prices and wages to take longer to unwind than they did to emerge. Higher interest rates have helped return inflation to target but inflation is likely to rise temporarily."

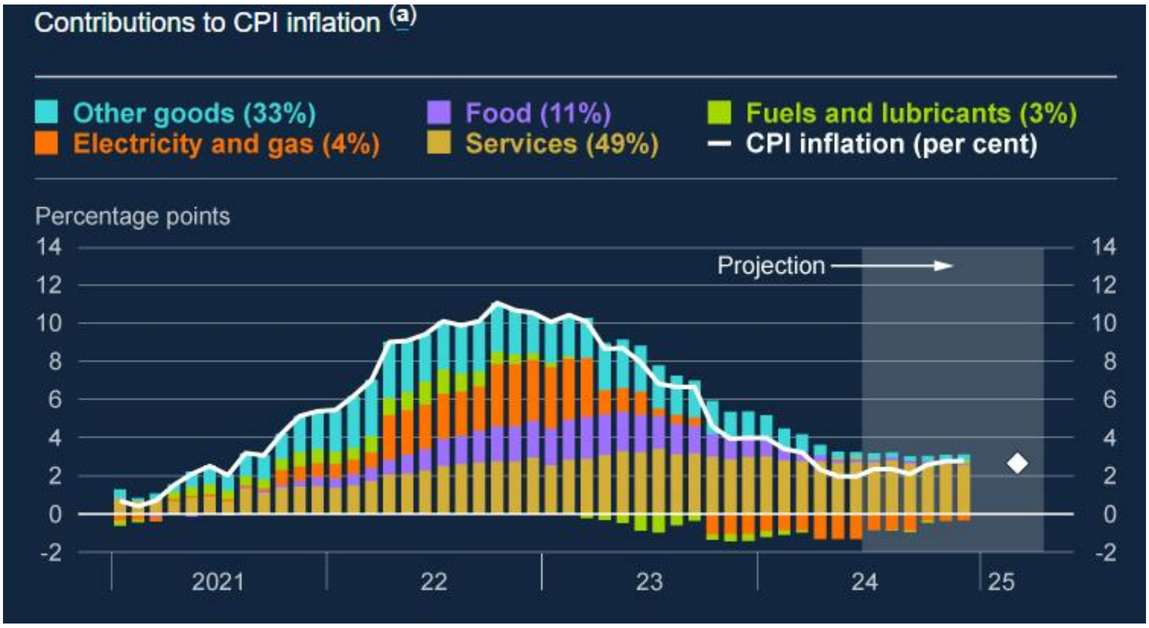
"".

Chart 7: CPI inflation projection based on market interest rate expectations, other policy measures as announced

[28] Bank of England, August 2024, Monetary Policy Report

2.1.12 To illustrate how the balance and impact of different goods and services are affecting the cost of living, the Bank of England[29] produced a report showing the shift from energy and fuel costs being the biggest contributors to inflation, to services now making up the largest proportion of forecast inflation. Prices of services – for example hotels and restaurants, insurance and rents for housing – are still rising at rates well above their past averages.

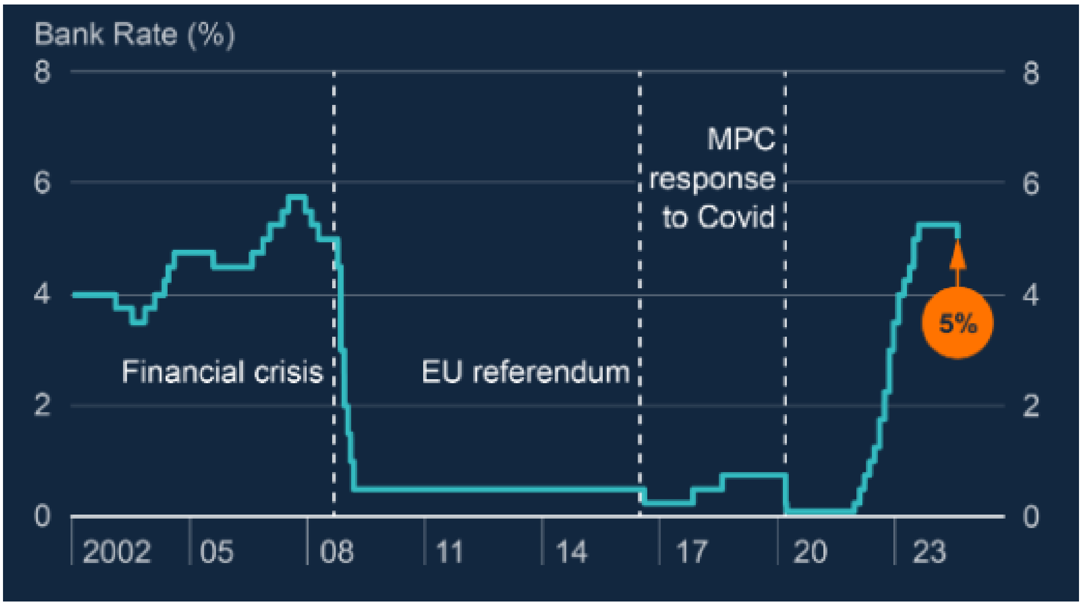
Chart 8: CPI Inflation components



2.1.13 To control inflation, the Bank of England has exercised its power to increase the cost of borrowing, encouraging people to save money. As a result, less is spent on goods and services, causing prices to rise more slowly and reducing the inflation rate. Since December 2021, the Bank has steadily increased the base interest rate, reaching a peak of 5.25%. However, following the August 2024 meeting, this was cut to 5%. Over the past 18 months, inflation has fallen significantly. In the UK, inflation fell back to our 2% target in May and June, partly due to the fading impacts of global shocks like the war in Ukraine and Covid, and partly due to higher interest rates.

[29] Bank of England , August 2024,Monetary Policy Report

Chart 9: Interest Rates

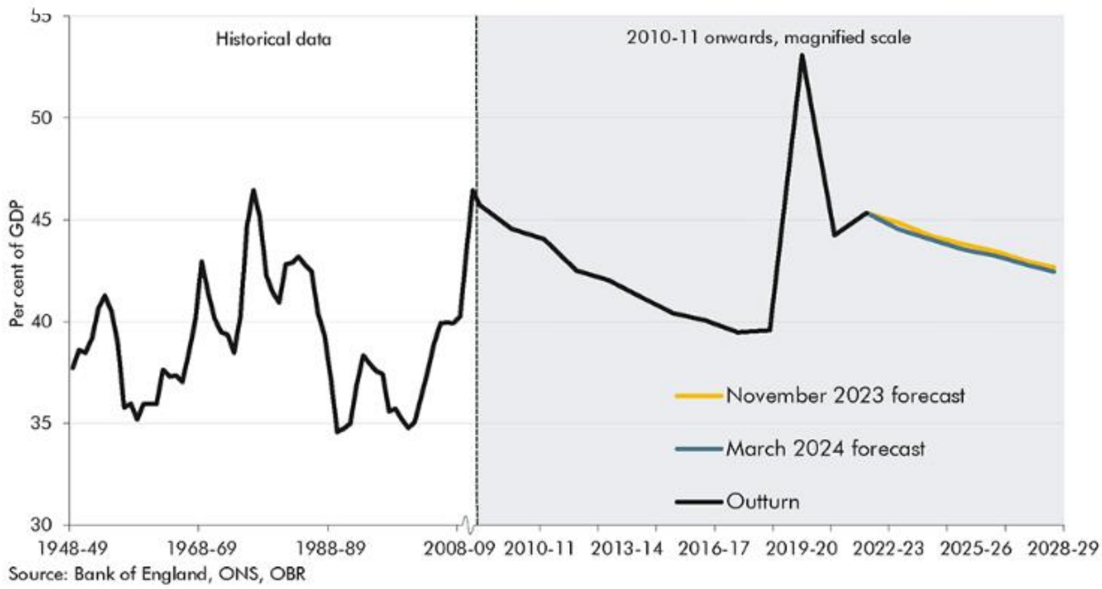


2.1.14 On public spending the Office for Budget Responsibility stated[30] " From a post-war peak of 53.1 per cent of GDP in the midst of the pandemic in 2020-21, total public spending falls as a share of the economy to an estimated 44.5 per cent in 2023-24 [Chart 10].". And for the future, "We then expect it to continue to fall over the next two years with a decline in debt interest costs more than offsetting an increase in welfare spending. From 2025-26 onwards, the further decline is due to departmental spending (resource and capital departmental expenditure limits or DEL) growing more slowly than the economy, a gradual fall in forecast welfare spending as a share of GDP, and a decline in other elements of annually managed expenditure (AME), including unfunded public service pensions, environmental levies, and student loans."

2.1.15 It remains to be seen if the reductions in spend will be sustained given the cost of living crisis and the additional costs of the war in Ukraine, whether that be in support to the war effort by the UK or in support of refugees coming to the UK for safety and security.

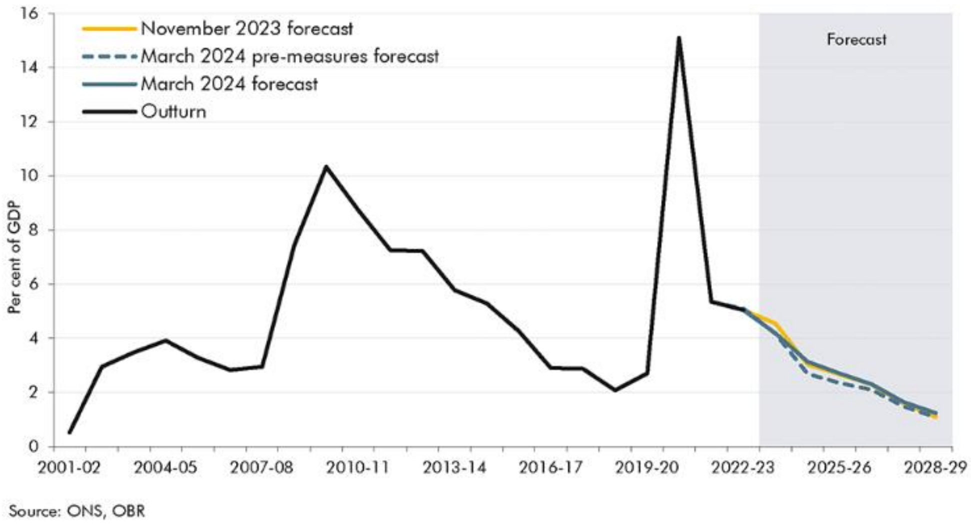
[30] OBR, March 2024, Economic and Fiscal Outlook

Chart 10: Public Spending as a percentage of GDP



2.1.16 Public sector net borrowing peaked at a post-war high of £314.7 billion (15.1% of GDP) during the height of the pandemic in 2020-21. It is expected to decrease to £114.1 billion (4.2% of GDP) in 2024/25. Headline public sector net debt is projected to peak at 98.8% of GDP in 2024-25 before falling to 94.3% of GDP by 2028/29. "[31]

Chart 11: Public Sector Net Borrowing



2.1.17 "The level of economic inactivity remains significantly higher than before the pandemic. Our July 2023 *Fiscal risks and sustainability report* considered upside and

[31] OBR, March 2024, Economic and Fiscal Outlook

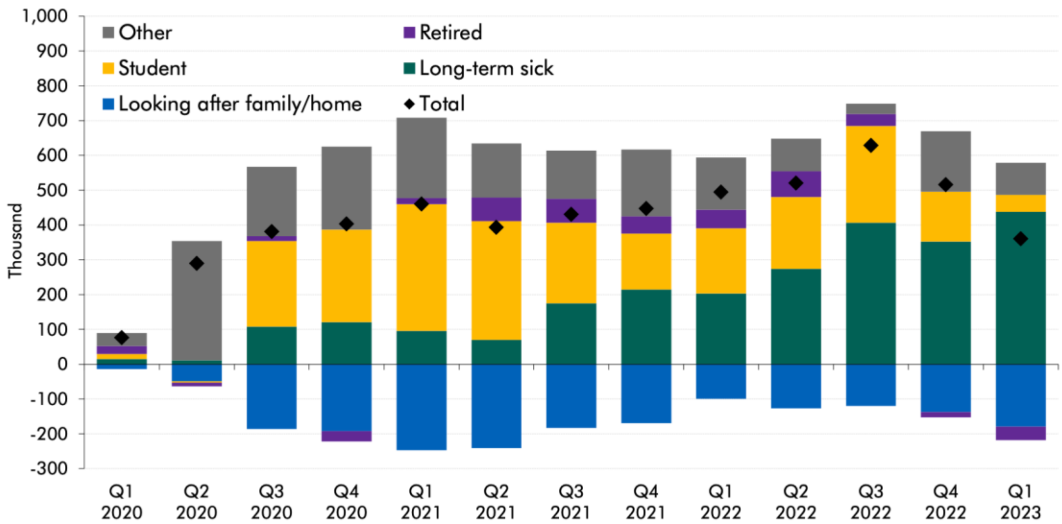
downside scenarios for future inactivity levels. The downside scenario assumed the working-age participation rate fell 1.2 percentage points by 2027-28, leading to a 1½ per cent fall in GDP, £21.3 billion higher borrowing, and a 3.4 percentage point rise in debt as a share of GDP.[32]"

2.2 Other Significant External Risks

2.2.1 The September 2024 Fiscal Risks and Sustainability report[33] by the OBR reiterates the aftershocks of three key risks that have crystallised since 2020 and although it "takes a fresh look" at their future fiscal implications, they are substantially unchanged from the 2023 report . The three areas are:

- **Health related inactivity -** Over the 2010s, the UK's working-age employment rate rose from 70 to 77%. The pandemic saw a reversal of this trend, with those classified as inactive rising by almost 650,000. Today, working-age inactivity in the UK remains 350,000 above pre-pandemic levels, in contrast with the many other advanced economies, where such inactivity rates are now lower than before the pandemic hit. The largest and most durable source of this rise in UK inactivity has been among those citing ill-health as the principal reason for being out of the labour market. An influx of students into higher education and early retirements added 390,000 and 80,000 respectively to the ranks of the newly inactive at their peaks in 2021, but by early 2023 these temporary surges had run their course and the number of early retirees has fallen below pre- pandemic levels.

Chart 12: the rise in UK working-age inactivity since early 2020



Note: Changes are shown relative to December-February 2020 – the pre-pandemic low-point for the 16-64-year-old inactivity rate.
Source: ONS

By contrast, the number of people outside the workforce for health reasons has continued to rise, reaching 440,000 in the three months to April 2023, making this

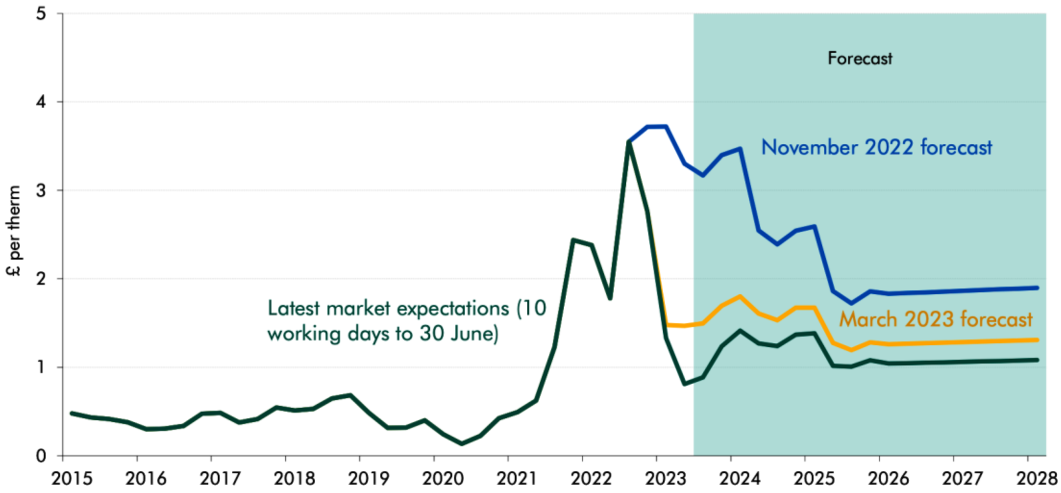
[32] OBR, March 2024, Economic and Fiscal Outlook

[33] OBR, September 2024, Fiscal risks and sustainability

group the single-largest segment of the economically inactive population. Such a change in labour market patterns puts added pressure on the public finances via higher health care and welfare spending as well as through lower tax revenues. As a result there is considerable pressure on governments to find ways of reversing this trend. Unfortunately, the OBR estimate that increased NHS activity will have a limited impact as only a small proportion of those inactive for health reasons are on the NHS waiting list. (Note: in general, similar inactivity trends have been observable for Scotland.)

- **Rise in energy prices -** While gas prices have fallen back from their thirteen fold increase in 2022, they are expected to remain at over twice their historical average into the mid 2020's.

Chart 13: gas prices

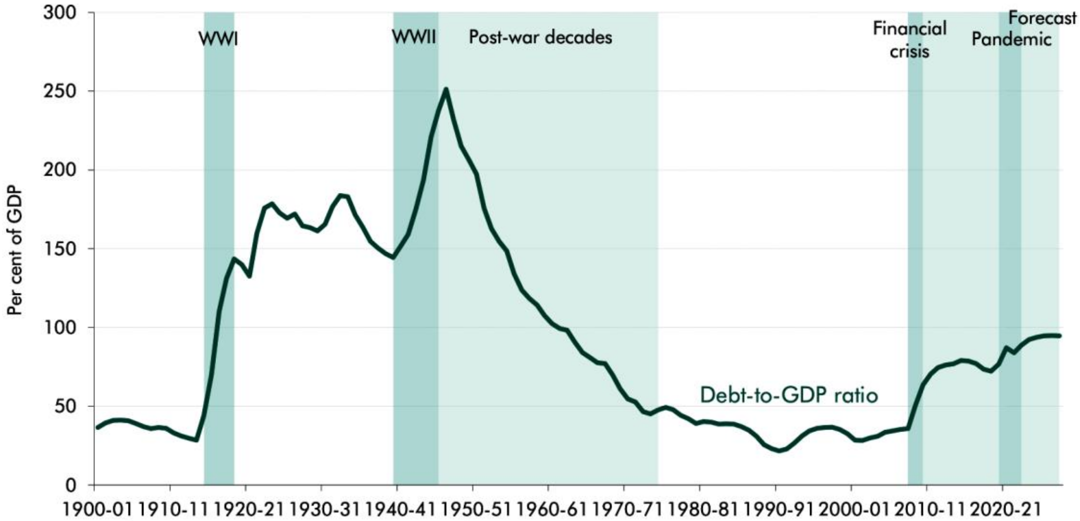


Note: As in our March 2023 forecast, latest market expectations from the first quarter of 2026 are held constant in real terms.
Source: Datastream, Eikon, OBR

While this has made renewable energy sources cheaper than gas for the first time, there is so far limited evidence of a strong supply side response in the UK i.e. of any step-change in renewable energy investment that might result in lower overall energy prices in the future. This lack of investment could also prove costly in the event that geopolitical events raise the price of gas again.

- **Vulnerability to rising debt levels -** UK Government debt levels have risen three-fold since the start of this century and, at around 100% of GDP, are at their highest level in over 60 years. This dramatic increase in public debt is largely due to the series of crises the UK has faced so far this century, which has also hindered any attempts to manage the debt back down to more acceptable levels.

Chart 14: debt-to-GDP ratio since 1900



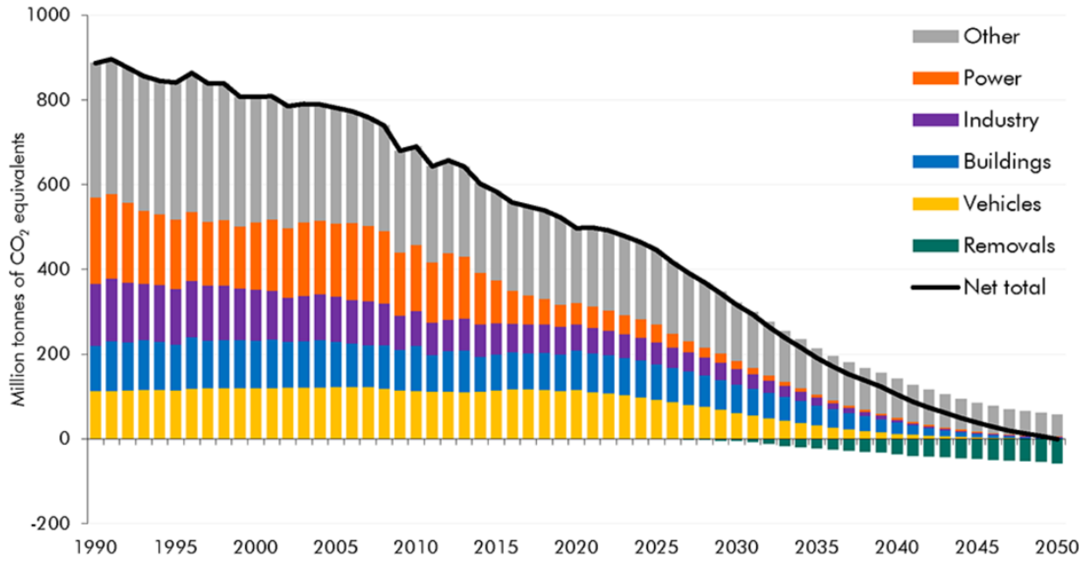
Note: This is for underlying debt, i.e. excluding Bank of England.
Source: ONS, OBR

- While other governments also face rising interest rates on debts close to or in excess of 100 per cent of GDP, the UK's public debt position makes it more vulnerable as it has: -
    - the shortest average maturity on its public liabilities on record;
    - the highest proportion of inflation-linked debt of any major advanced economy;
    - more of its debt in the hands of private foreign investors than most other G7 countries (which renders the UK public finances more vulnerable to sudden changes in global investor sentiment over the attractiveness of UK sovereign assets).
- This greater vulnerability has been illustrated by a) UK government borrowing costs have risen more than in any other G7 economy and been more volatile than at any time in the past 40 years, and b) the rise in global interest rates feeding through to the UK's debt servicing costs more than twice as fast as in the past or elsewhere.

2.2.2 ***Climate Change*** – The OBR[34] says that "While the UK's territorial CO_2 emissions have fallen significantly since 1990, thanks in large part to the switch from coal to gas power generation, achieving the Government's net zero target by 2050 will become increasingly difficult. Vehicles, buildings, industry, and power make up the majority of emissions remaining in 2020, and these four sectors plus the yet-to-be-developed removals sector are the largest source of future abatement in the Climate Change Committee's (CCC's) balanced net zero pathway."

[34] OBR, July 2023, Fiscal Risks and Sustainability

Chart 15: Emissions in the CCC's balanced net zero pathway



Source: CCC

2.2.3 The Climate Change Committee (CCC) has responsibility for monitoring the progress and risks to meeting the UK's declared national ambitions (known as 'nationally determined contributions', or NDCs, under the Paris Agreement) and legislated carbon budgets, and publishes a yearly progress report to this end.

2.2.4 The OBR also points out that emerging risks include longer-term trends are becoming near-term realities. This is exemplified in relation to climate change and progress toward net zero as "Efforts to tackle climate change by transitioning away from fossil fuels are rapidly eroding the £39 billion the Government currently receives in tax revenues from petrol and diesel driven vehicles. And the rapid normalisation of interest rates over the past 18 months has added £22 billion to what the Government will need to spend on servicing its growing stock of debt in 2022-23, consuming fiscal headroom available to respond to other threats and pressures."

2.2.5 ***Exit from the European Union (EU)*** - The UK left the EU on 31 January 2020 and entered an 11-month period of transition during which the UK effectively remained within the EU's customs union and single market and continued to be subject to EU rules. That came to an end on the 31 December 2020. The latest assumptions and judgements[35] from the Office for Budget Responsibility were used relating to EU exit to underpin the Economic and Fiscal Outlook report and forecasts in March 2023.

- "The post-Brexit trading relationship between the UK and EU, as set out in the 'Trade and Cooperation Agreement' (TCA) that came into effect on 1 January 2021, will reduce long-run productivity by 4 per cent relative to remaining in the EU.
- Both exports and imports will be around 15 per cent lower in the long run than if the UK had remained in the EU.

[35] OBR, April 2023, Brexit Analysis

- New trade deals with non-EU countries will not have a material impact, and any effect will be gradual.
- the Government's new post-Brexit migration regime would reduce net inward migration to the UK."

2.2.6 ***Pressures on other public sector organisations*** - All public sector organisations are under increasing financial pressure as changes in funding and increases in demand are not supported by funding. Whilst Aberdeen City has a strong record in working with partners to improve outcomes, prevent harm and increase public sector efficiency, the additional pressure on all public sector agencies may raise the risk that preventative activity, which is necessarily multi-agency in nature, may be more difficult for partners to sustain when facing increasing pressure to support responsive services. Behaviours which are not based on a whole system approach and are narrowly defined by attribution of cost benefits to individual organisations should be avoided.

2.2.7 ***Emergency Response*** - Covid-19 was the primary focus of emergency response in 2020, but other emergency events and situations are likely to occur. These may include, for example, incidents related to climate change; terrorist attacks; infrastructure issues with national implications (e.g. Grenfell Tower); further pandemics, etc. The council's own plans to respond and recover quickly and effectively from longer term emergency incidents are being further strengthened and may require further financial investment.

2.2.8 ***Corporate Liabilities*** – Local authorities are exposed to several liabilities which have significant financial pressures if they occur. For example, the cashflow and cost impact of Developer Obligations not being paid to support required asset enhancement; litigation and claims against the council; and fines can be imposed on councils by the Health & Safety Executive, the Information Commissioner and other regulators.

2.2.9 ***Banking Sector Failures*** – The failure, last year, of three small American banks (Silicon Valley Bank (SVB); Signature Bank and Silvergate) caused much concern in financial circles. The chaos soon spread to other banks, in particular the Swiss bank Credit Suisse, which has now been taken over by UBS. While no other failures have arisen so far the situation remains uncertain.

2.2.10 There are two implications of note with regards to these events:

i. the banking sector remains fragile and at risk of further failures. The risks are not as high as in 2008, due to new and tougher regulations being introduced which made Banks stronger, but they are still there. Any such loss of confidence could again have knock on impacts for the wider economy via tighter lending; and

ii. with regards to the future setting of interest rates. The higher rates introduced over the past year by central banks (the Federal Reserve, the Bank of England (BoE) and the European Central Bank (ECB)) are thought to have impacted on the ability of SVB to survive and weakened the position of other banks, especially smaller US ones.

Further rate rises could therefore put yet more pressure on 'at risk' financial institutions and so central banks may be more cautious than before in introducing higher rates.

2.3 The Funding Outlook – UK

2.3.1 Following the UK General Election on 4 July 2024, the incoming Chancellor of the Exchequer announced she had "instructed Treasury officials to undertake a rapid audit of public spending". The outcome was published at the beginning of August, and lead to the statement by the Prime Minister of the "£22 billion hole"[36] in public finances at Prime Minister's Questions. The HM Treasury report[37] detailing the issues also stated "The government is taking action to address the pressure by: (i) identifying immediate savings to manage the pressure; (ii) setting out a clear process to the autumn and the Spending Review for reducing the pressure further; and (iii) making reforms to the spending and fiscal frameworks to prevent this happening again."

2.3.2 These immediate actions from the audit are for the 2024/25 financial year, and there has been no comment to date on the potential impact on 2025/26 or future financial years. The UK Autumn budget is now expected on 30 October 2024, alongside and update from the Office for Budget Responsibility, and setting out of the new government's fiscal policy. The narrative around these has persistently described these as "difficult decisions". Departmental spending plans are critical because it will be the consequentials of the UK Budgets, flowing into and through the Barnett formula and Fiscal Framework, that will frame the Scottish Budget.

2.3.3 With the Scottish Budget continuing to be heavily reliant on the Barnett formula that distributes the Block Grant to Scotland – approximately two thirds comes to Scotland from the UK Treasury – then any changes in UK Government funding policy and the size of the UK Tax Revenues will have a material impact on Scottish public services. From the Block Grant perspective, it was notable that the immediate actions outlined by the Chancellor did not materially alter the funding for the devolved administrations, and which suggests it is not promising for the Scottish Budget next year.

2.4 The Funding Outlook – Scotland, Local Government and Aberdeen City Council

2.4.1 The primary source of funding for the delivery of Council Services is the Scottish Government through the allocation of general revenue and capital grants, and the distribution of national non-domestic rates income. In Scotland local government

[36] Is there a £22bn 'black hole' in the UK's public finances? - BBC News

[37] HM Treasury, Fixing the Foundations: public spending audit 2024-25

funding accounts for approximately a quarter of the total discretionary fiscal budget[38], in 2024/25, approximately £13.9 billion[39] (revenue and capital).

2.4.2 With approximately three quarters of the Council's net revenue funding being received through government grant it is simple to see why UK and Scottish Government policies and economic forecasts impact on the level of Council funding.

2.4.3 The Scotland Block Grant from UK Treasury is based on the Barnett Formula, adjusted to take account of taxation and fiscal powers now devolved to the Scottish Government. This adjustment is captured under the Fiscal Framework between the UK and Scottish Governments. In 2022/23 the Scottish Government announced that there would be a new deal for local government and on 30 June 2023 the Verity House Agreement was signed between Scottish Government and COSLA. The Agreement sets out principles for working together to empower local communities, tackle poverty, transform the economy and provide high-quality public services. It includes, amongst other things, a commitment to agree a new Fiscal Framework governing how local authorities' funding is allocated, reducing ring-fencing and giving them greater control over their budgets to meet local needs. And to regularly review councils' powers and funding, with the expectation that services will be delivered at a local level unless agreed otherwise.

2.4.4 The Scottish Government, having published a single year budget in December 2021 for financial year 2022/23, published a further suite of documents to support a multi-year funding framework for the public sector in Scotland. These documents were:

- Investing in Scotland's Future: Resource Spending Review
- Scotland's Fiscal Outlook: The Scottish Government's Medium Term Financial Strategy
- Capital Spending Review

2.4.5 Following another single year budget for financial year 2023/24, the Scottish Government produced a revised Medium Term Financial Strategy[40] in May 2023 and it highlights that while the Scottish Resource Budget is increasing up to 2027-28, in both cash and real terms, it is not expected to rise at the same rate as the spending bill, creating a growing funding gap over time. The issues raised at UK Government level over summer 2024 have meant no updates to the Scottish Government's MTFS are expected in advance of the UK Autumn budget in October.

2.4.6 For financial year 2024/25 Scotland's Budget, excluding Annually Managed Expenditure (AME)[41], amounts to £55.4 billion, when presented to Parliament in

[38] Scottish Government, December 2023, Scottish Budget 2024/25

[39] Scottish Government, February 2024, Finance Circular 2/2024

[40] Scottish Government, May 2023, Scotland's Fiscal Outlook

[41] AME is specific grant funding paid by UK Government to cover costs such as NHS and teacher pensions and student loans. It amounts to about £9 billion per annum.

December 2023. This is the element of the budget the Scottish Parliament can make decisions about.

2.4.7 From 2020/21 the Scottish budget reflects the changing picture of devolved powers, including devolved social security payments and farm payments, previously funded by the EU.

2.4.8 Notable is the adjustment to the block grant for the devolved tax raising powers that now sit with the Scottish Parliament. The size of the Scottish Budget is therefore directly affected by economic performance, through taxation revenues, in Scotland compared to the rest of the UK. Diverging economic performance could place added pressure on the Scottish Budget in future years.

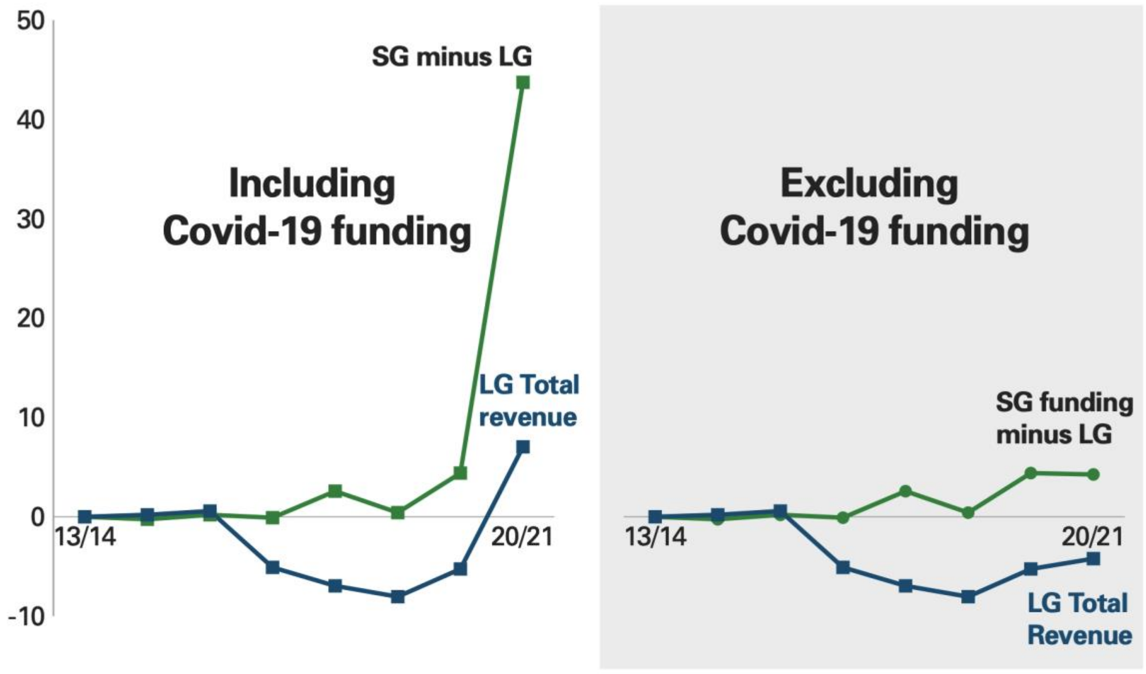
2.4.9 The Scottish Fiscal Commission, in their report from May 2023[42] stated that "…we continue to expect a large and negative income tax reconciliation for the Budget year 2021-22. Comparing our and the OBR's latest forecasts indicates a large negative reconciliation for 2021-22 of -£712 million. Final outturn data should be available in July 2023, with the resulting reconciliation being applied to the Scottish Budget for 2024-25." Adjustments like this will adversely affect the amount of funding available for public services, and as an unprotected public service, Local Government can anticipate feeling the pain.

2.4.10 At this point worth of note is that it is impossible to get away from the shortfall in funding that has been provided to Local Government in Scotland for the last decade. The Accounts Commission published, its Local Government in Scotland Overview report[43] on 25 May 2022, which continued to highlight the long-term position that Local Government is the poor relation of other parts of the Scottish public sector, excluding the effects of Covid-19 pandemic funding "…councils' underlying cumulative funding has fallen by 4.2 per cent in real terms since 2013/14. This is in contrast to an increase of 4.3 per cent in Scottish Government funding of other areas of the budget over the same period." This can be illustrated in the following chart.

Chart 17: Comparison of real terms changes in revenue funding in local government and other Scottish Government areas (including and excluding Covid-19 funding)

[42] Scottish Fiscal Commission, May 2023, Scotland's Economic and Fiscal Forecasts (revised June 2023)

[43] Accounts Commission, May 2022, Local Government in Scotland Overview 2022

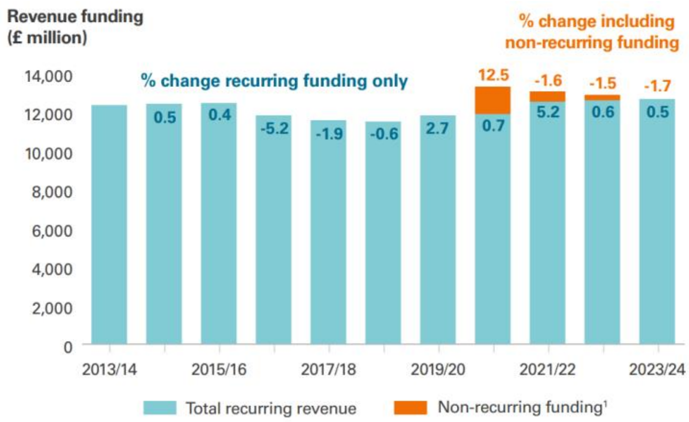


Source: Finance Circular 5/2021 and Scottish Government budget documents

2.4.11 This has not been corrected in the last two years and in the Accounts Commission's report on Local Government in Scotland : Overview 2023[44] with only 2.6% increase in real terms in funding over the decade from 2013/14. This covers a period when Council Tax was frozen and funding was being provided instead. This means that the key fiscal lever that Local Government has could not be exercised to mitigate the demand and cost pressures, and it was neutralised again by the First Minister's announcement for 2024/25.

Chart 18: Scottish Government revenue funding to local government (in real terms) and year-on-year percentage change, 2013/14 to 2023/24

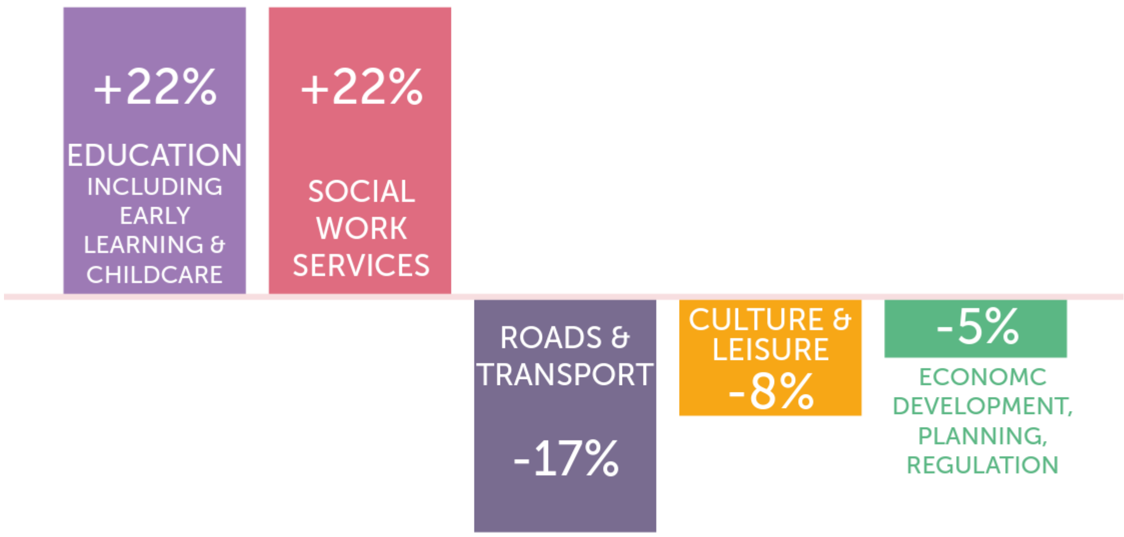
[44] Accounts Commission, May 2023, Local Government in Scotland: Overview 2023



Notes:
1. Non-recurring funding refers to Covid-19 related funding in 2020/21 and 2021/22 and cost-of-living support for council tax bills in 2022/23.
2. We use the finance circulars to compare the funding position year-on-year as we believe this is the most accurate comparison.
These figures include funding for national policy initiatives and transfers from other portfolios. Figures calculated at 2023/24 prices.
Source: Scottish Local Government Finance Circulars

2.4.12 The quantum of the local government settlement is not the only issue arising, as the funding context for Scotland is one that is driven strongly by national policy and commitments. This is seen in the extent to which the local government budget is truly determined locally. According to the Convention of Scottish Local Authorities (COSLA), in its "Live Well Locally" budget campaign documentation[45] states that "Over recent years, Local Government's total funding has reduced in real terms – and at the same time, Scottish Government has prioritised & ring-fenced spend in areas like education & social work. So while spend in these areas has gone up, less resource overall means it has been at the expense of areas like economic development, roads & transport, all critical in attracting investment, developing businesses, creating jobs and addressing climate change." Information collected for Scotland shows how stark the disparity is.

Chart 19: Change in net revenue expenditure between 2013/14 and 2021/22 (Estimate)



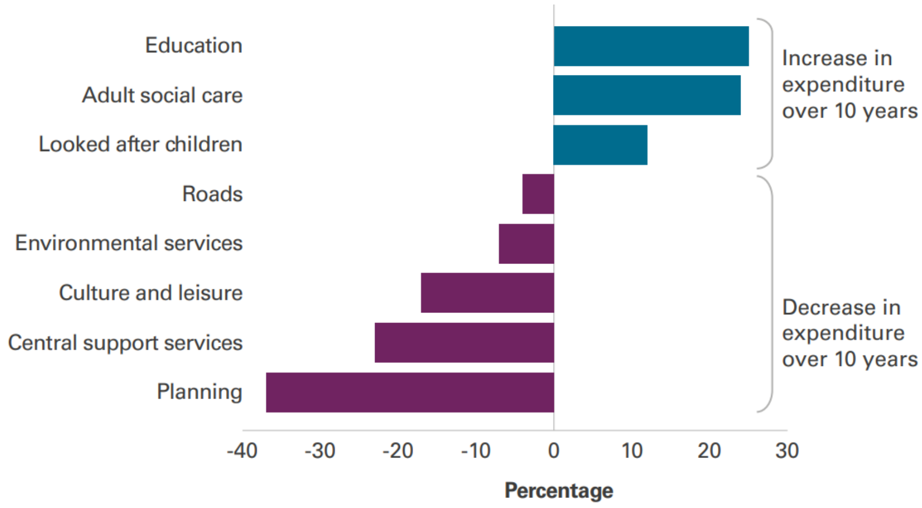
[45] COSLA, December 2021, Live well locally campaign

Source: COSLA, Live well locally

2.4.13 The Accounts Commission[46] presented a similar picture in its 2023 report, reinforcing the extent to which national policy is shaping the allocation of resources at a local level.

[46] Accounts Commission, May 2023, Local Government in Scotland: Overview 2023

Chart 20: Percentage change in expenditure (in real terms) by service from 2012/13 to 2021/22



Note: Economic development and Tourism services have seen a 43 per cent increase over the period. We have excluded this from the chart as year-to-year expenditure is volatile and there is not a consistent trend in spending over this period.

Source: Local Government Benchmarking Framework, 2021/22

2.4.14 With national policy at the forefront, it is impossible to ignore the impact that the National Care Service (NCS) will have on local government. The NCS (Scotland) Bill[47] has been published and allows Scottish Ministers to transfer social care responsibility from local authorities to a new, national service. This could include adult and children's services, as well as areas such as justice social work. Scottish Ministers will also be able to transfer healthcare functions from the NHS to the National Care Service. The Bill has completed Stage 1 – where Parliamentary Committees examine the Bill and gather views – and is now at Stage 2 – where MSPs can propose amendments to be considered by committee. The Committee's call for views closed on 20 September 2024, and the amended Bill will require to be published following Stage 2 proceedings. There are still many unknowns. Details of the arrangements have yet to be finalised and the scale of the costs involved in the financial memorandum are estimates with many caveats. The affordability of the vision set out is not certain given the actual scale of the costs are not yet clear. It is difficult for councils to plan current services with such uncertainty."[48]

2.4.15 The Accounts Commission summarise in that report "While there is consensus that fundamental reform is essential for long-term sustainability, there is not agreement about what that reform looks like and how it will be implemented."

[47] Scottish Parliament, 20 June 2022, National Care Service (Scotland) Bill

[48] Accounts Commission, May 2023, Local Government in Scotland: Overview 2023

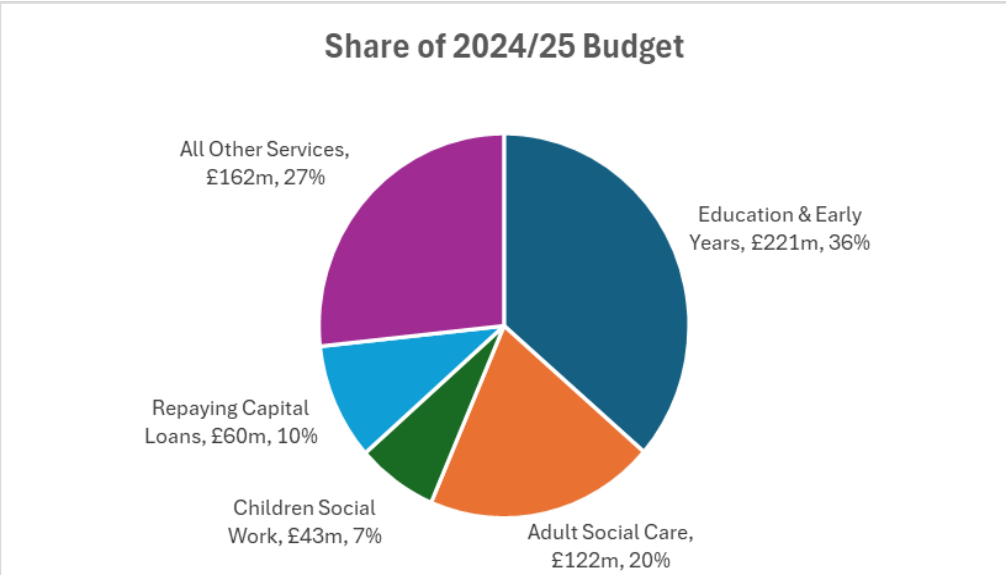
2.4.16 In terms of impact COSLA initially described the Bill, "The inclusion of Children's Services within the Scottish Government's National Care Service Consultation went far beyond the scope of the Independent Review of Adult Social Care, and it was clear in the analysis of the consultation that many respondents agreed with COSLA's view that there was a significant lack of evidence and data to justify the inclusion of children's services in a National Care Service."

2.4.17 While there is process and procedure to go through it is necessary that assumptions, from our financial perspective, have to be made about what it means for our financial planning. To do this the Council has examined the accompanying Financial Memorandum[49] and extrapolated this alongside the other demand and cost assumptions that are contained in the MTFS models. Assuming that all of the identified services are removed from local government then the shape of councils will shift dramatically.

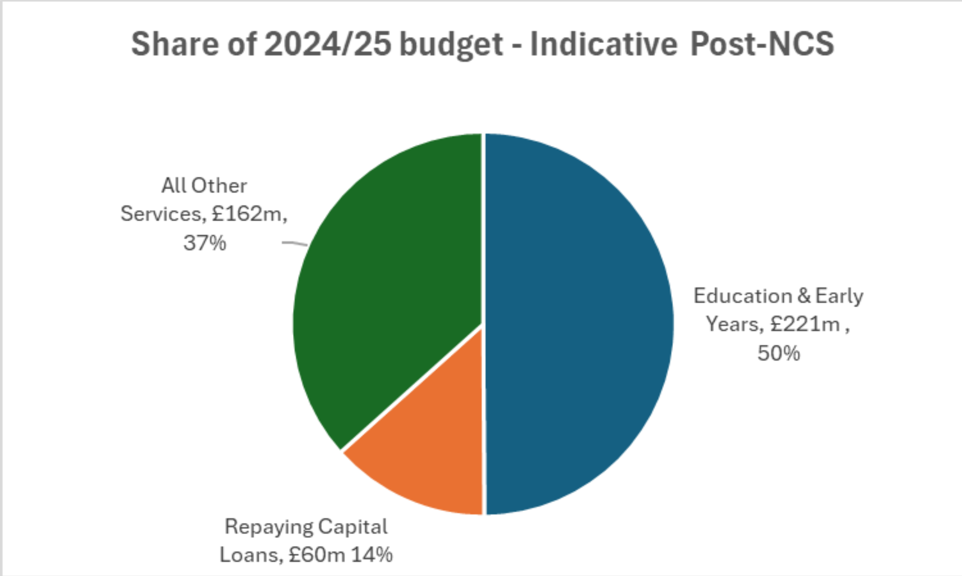
2.4.18 The Council currently budgets to spend approximately £165m on Adult, Children and Justice Social Work and associated central support services, from a net budget of £607m, representing 27% of net expenditure this year. That spending is expected to rise to approximately £168m for the first year of operation of the NCS, 2025/26.

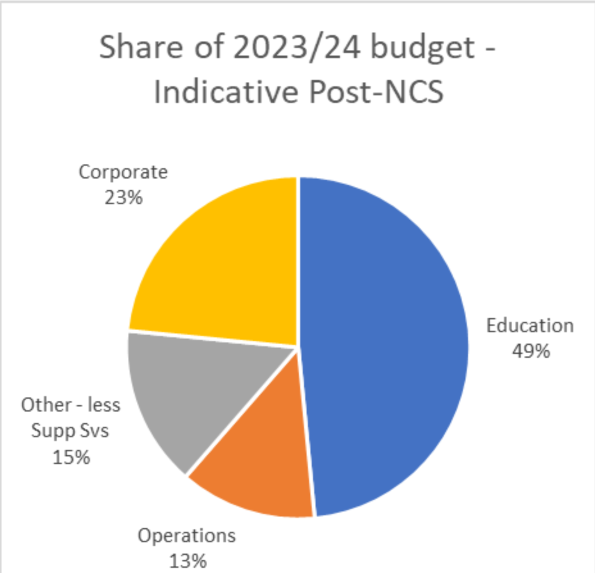
2.4.19 Removing the spending results in Education being the dominant service provided by the Council, with half of the remaining net expenditure being allocated to deliver education and early years services.

Chart 21: General Fund Budget 2024/25, including and excluding proposed NCS services



[49] Scottish Parliament, 20 June 2022, National Care Service (Scotland) Bill FM

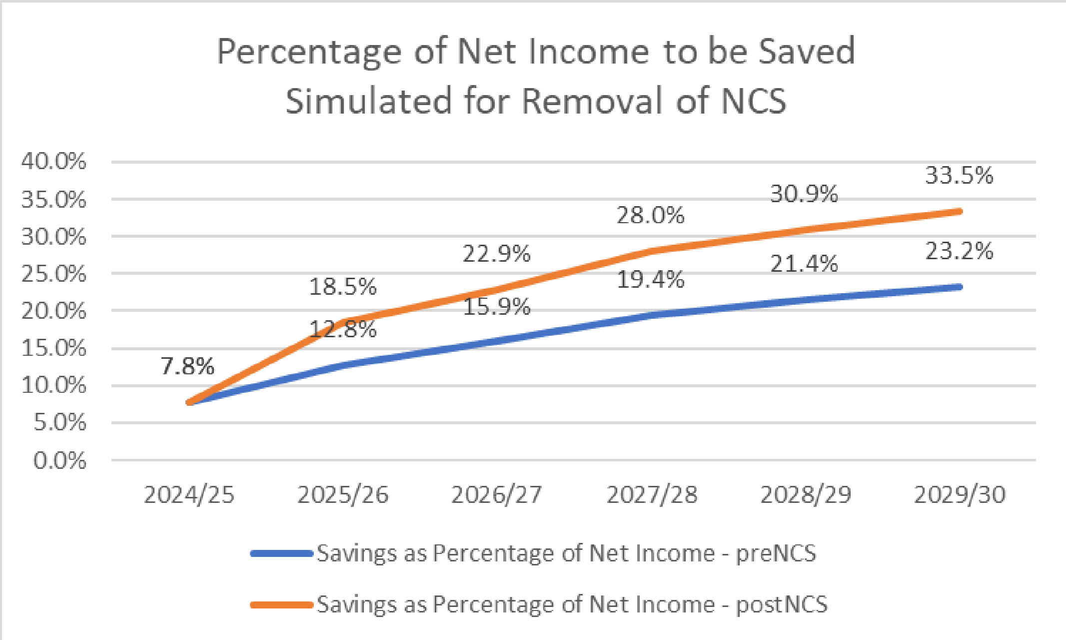




2.4.20 In July 2023 an agreement was reached between the Scottish Government, the NHS and COSLA that legal responsibility will be shared between the health service, councils and the Scottish government, and that staff, assets and the delivery of services will remain part of Councils. The analysis remains relevant as it is unclear to what extent local authorities will be able to apply / influence and control the funding for the services that are included under Care Boards. Fundamentally if these services are protected (by Scottish Government through the financial settlement) from local decision on funding and resource allocation then the shift towards this post-NCS position is unchanged.

2.4.21 The dominance of Education presents a major challenge given the extent of national policy driving prioritisation and national conditions that are in place for these services, whether these be teacher pay and conditions, financial settlement conditions on pupil teacher ratios. It potentially limits the extent to which local decisions can make changes to the way our resources are allocated, likely shifting the focus for savings and income generation to those that are of a different nature, operational, support and enabling services. The following chart shows that the demand and cost pressures are not shared equally by all services and the Council is left with a higher value of savings to be found against a lower value of Net Income. This results in savings of almost 10% more having to be achieved from the post-NCS services.

Chart 22: Proportion of Net Income to be Saved Compared to post NCS



2.4.22 In addition to the obvious revenue budgets that are prepared annually, a National Care Service will have an impact on support services, with the likely untangling of support service budgets, staff and contracts having to be quantified and acted upon once more information is known. Beyond this, there will be questions that need to be answered in relation to assets, debt, contingent liabilities (including pension liabilities and historic child abuse cases) and group entities/subsidiaries (that would relate to Bon Accord Care and Bon Accord Support Services).

2.4.23 With reference to the income the Council receives, it has been assumed that grant funding would be reduced by the value of expenditure being incurred in the delivery of the various services. Local Government will need to be aware of the value of grant that is being removed, as the funding mechanism does not necessary match the spending profile of Councils at present. Local Government should not accept, as a given, that the value of grant funding should be the full cost of current services.

2.4.24 The Scottish Governments publication of multi-year financial forecasts in the Resources Spending Review[50] (RSR) provided much more about the future, that the Council can learn from, in particular the shape of local government finance for the

[50] Scottish Government, May 2022, Resource Spending Review

coming three years. Last year was the first time that local government has had a multi-year financial plan since 2011, when a three year settlement was announced for the period 2012/13 to 2014/15.

2.4.25 The RSR was accompanied by a letter to COSLA from the Cabinet Secretary for Finance and the Economy, Kate Forbes. This provided greater insight into the allocation of funds to local government than is detailed in the Resource Spending Review itself.

2.4.26 While setting out the Scottish Governments priorities and describing the need to allocate resources towards achieving those priorities, the RSR demonstrates a further deprioritisation of local government, despite the huge role that Councils can play. The priorities spelt out are:

"…four key challenges – reducing child poverty, addressing the climate crisis, building a strong and resilient economy and helping our public services recover strongly from the pandemic."[51]

2.4.27 For local government the message was simple. A commitment to flat cash settlements for the period 2022/23 to 2025/26, with an additional £100m (c.1%) in 2026/27.

2.4.28 The detail is of course far from simple and local government receives its current funding from a variety of portfolios, spread across the Scottish Budget (i) a core 'Local Government' allocation; and (ii) additional sums transferred from other ministerial portfolios, such as Education, Justice and Health. The RSR confirms that the core allocation of £10.6bn will be maintained throughout the period of the spending review, with that additional £100m in the final year. It is not until the letter from the Cabinet Secretary is read carefully that a sum of £1bn per annum is guaranteed to be transferred from those portfolios during the period of review can any assurance be secured that the local government settlement will be anything like flat cash.

2.4.29 The 2023 MTFS from the Scottish Government did nothing to dilute the risks facing local government and suggest any improvement in our prospects of additional core funding. As previously noted, the 2024 update has been delayed until after the UK Autumn budget statement. The Central Scenario financial modelling has therefore been maintained over the period to reflect flat cash settlements.

2.4.30 While it is important to take from the Scottish Government documents the financial conclusions, it also worth highlighting other points associated with Local Government:

"…key elements of this vision will not directly apply to local government…"

"…a 'new deal' for Local Government in Scotland through the development of a Partnership Agreement and Fiscal Framework."

[51] Kate Forbes, Cabinet Secretary for Finance and the Economy, Scottish Government, Resource Spending Review, 31 May 2022

2.4.31 On 30 June 2023, the First Minister and the COSLA President signed a Partnership Agreement that by both see as a landmark. Known as 'The Verity House Agreement', it signifies a shared vision for a more collaborative approach to delivering our shared priorities for the people of Scotland.

2.4.32 It sets out principles for working together to empower local communities, tackle poverty, transform the economy and provide high-quality public services. It includes commitments to:

- agree a new Fiscal Framework governing how local authorities' funding is allocated, reducing ring-fencing and giving them greater control over their budgets to meet local needs
- regularly review councils' powers and funding, with the expectation that services will be delivered at a local level unless agreed otherwise
- incorporate the European Charter of Local Self-Government into Scots Law
- reform public services, building on the partnership working established during the pandemic recovery
- develop a framework for collecting and sharing evidence to ensure progress is maintained.

2.5 *Scottish Government Funding*

I. The allocation of resources by Scottish Government across the Scottish public sector portfolios is somewhat clearer following the publication of the Resource Spending Review. This is the basis for assumptions.

Table 1:

Upside Scenario	**Central Scenario**	**Downside Scenario**
2024/25 to 2028/29 – flat cash settlement for underlying duties and obligations, with between 0.5% and 1.5% cash increase annually over and above central scenario to support core services. Switch of capital to revenue funding in 2024/25. Assumed that additional funding will be received	2024/25 increase of 1.1% due to an expected switch from capital to revenue funding. 2025/26 – flat cash settlement for underlying duties and obligations. Distribution uncertainty resulting in 0.1% reduction annually. Assumed that additional funding will be received for additional expenditure	2024/25 to 2028/29 – flat cash with additional impact of distribution formula leading to lower grant, estimated at 0.25% annually. Assumed that additional funding will only be received for additional expenditure commitments through policy changes.

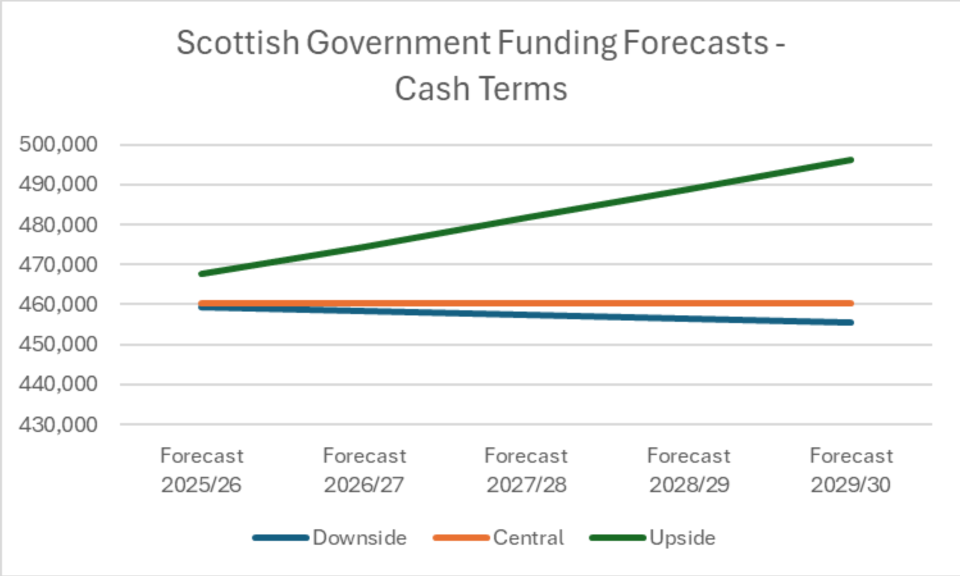
for additional expenditure commitments. No change incorporated for National Care Service.	commitments through policy changes. 2026/27 and 2028/29 1% cash increase annually. No change incorporated for National Care Service.	

II. The level of "protection" that Scottish Government applies to its political priorities delivered by local government is also quantified. The direction increase from Scottish Government in 2023/24 with the direction in regard to teacher numbers and pupil support hours, add this to ring-fenced grants, such as Early Learning and Childcare, and the requirement to maintain health and social care funding there is significant impact of this direction.

Table 2

Upside Scenario	**Central Scenario**	**Downside Scenario**
Mainstream national priorities and provide flexibility shifting resource protection to less than 10%.	Current level of protection continues, 45% of resources directed nationally. The Verity House Agreement moves this towards the upside scenario by middle of MTFS period	Greater control directed nationally to deliver national priorities, raising protection to over 50% of local government resources.

Chart 23: Scottish Government Grant Scenarios



III. From an approved 2023/24 budget level of government funding of £412m, the upside and central position track similar funding levels during the first 3 years of the RSR, the upside scenario more optimistic that additional funding will be found, however marginal at best. A 1% increase in funding in 2026/27 will be distributed and will be maintained into the following years is assumed for the central scenario, but will rely on a great deal to remain unchanged. The downside shows a regular reduction in funding. By year 5, 2029/30 there is a funding range, upside to downside of £41m.

2.6 Council Tax

2.6.1 Limits placed on funding local government receives means that local authorities must turn to the fiscal levers they have, to exercise control and to influence the level of income they have, to pay for services. Primarily this means looking carefully at the power to raise funds locally from Council Tax, and to review / apply fees and charges for services that are delivered.

2.6.2 Exercising discretion over these fiscal levers is, again, not straightforward. The local government financial settlement has, for over a decade put restrictions on the most significant fiscal lever local authorities have, setting the Council Tax. A cap on Council Tax increases was introduced in 2017/18, following a nine-year Council Tax freeze, from 2008/09. The initial cap condition was absolute in cash terms at 3% and in 2019/20 a real terms limit of 3% was introduced, the cash limit therefore being higher. Despite this it offers local authorities limited opportunity to raise the funds they need to meet rising costs. For 2021/22 the council again was offered funding to avoid an increase in Council Tax. For Aberdeen City this was the equivalent of a 3.3% increase in the rate. The Council accepted this offer (as all local authorities did).

2.6.3 In 2022/23 the cap was removed and for the first time since 2007/08 the Council was free to set a Council Tax rate for Aberdeen. An increase of 3% was approved, in the context of the concerns around the cost of living and affordability locally, and this has been followed by a 5% increase in the rate for 2023/24.

2.6.4 For 2024/25 the Council Tax freeze was reintroduced, the First Minister's response to the cost of living crisis. This removal of the fiscal lever, supposed to be in the control of individual local authorities, lead to widespread criticism by Cosla[52] and two Councils (Argyll and Bute, and Inverclyde) initially voting to increase Council Tax as part of their 2024/25 budgets, before reversing those decisions and accepting the offer of additional funding from the Scottish Government.

2.6.5 Limiting the value and / or missing the opportunity to increase Council Tax undermines the future value of this funding stream for the council. The underlying assumption is that Council Tax income will have to be increased.

2.6.6 It is worthy of note that the Scottish Government's Programme for Government[53], published in 2023 commits "…to reforming Council Tax to make it fairer, working with the Scottish Green Party and COSLA to oversee the development of effective deliberative engagement on sources of local government funding, including Council Tax, that will culminate in a Citizens' Assembly." The dissolution of the SNP / Green alliance at Holyrood, and the Council Tax freeze for 2024/25 appear to have resulted in a pause on any progress concerning the review of Council Tax Bands E-H. The updated Programme for Government: Serving Scotland announced by John Swinney in early September 2024[54] is silent on any future plans for Council Tax reform, and so we may assume these are unlikely to be progressed within the life of the current Parliament..

2.6.7 Conclusion:

I. The Council Tax valuation roll is anticipated to increase with additional housing continuing to be built in the city. For this reason the underlying value of Council Tax collectable before increasing the Band D rate tracks an upward trend. The upside and downside scenarios reflect greater or fewer houses being added to the roll annually.

II. The chart below does not include the impact of a rate increase; however the recommendation is that the real terms increase in Council Tax should be approved annually to enable the Council to in part recover the increasing cost of services, through pay, price and contract inflation.

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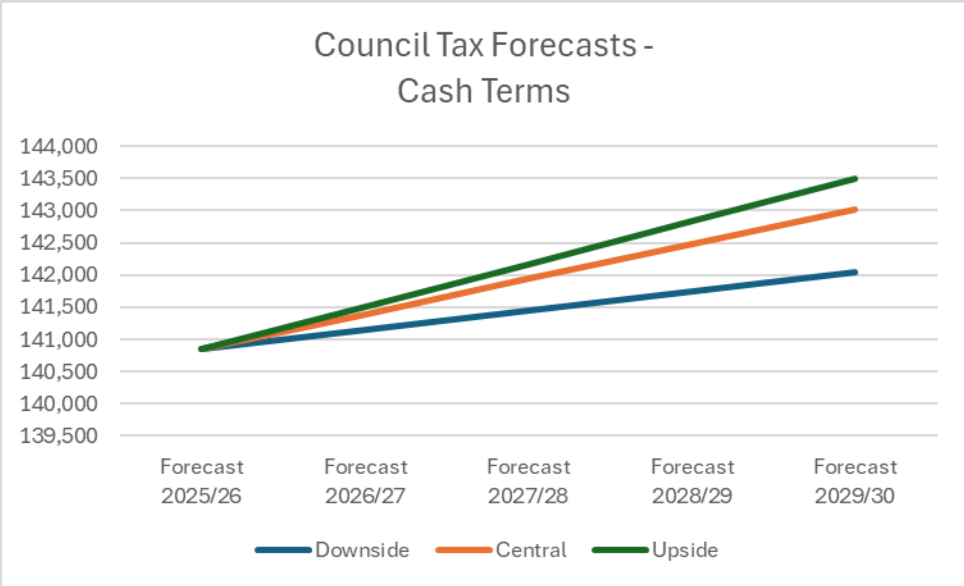
[52] Cosla declares 'dispute' with ministers over funds - BBC News

[53] Scottish Government, Programme for Government, 7 September 2021

54 Scottish Government, Programme for Government, 4 September 2024

III. The future of Council Tax reform is not clear.

Chart 24: Council Tax Scenarios



3.7 *Fees and Charges*

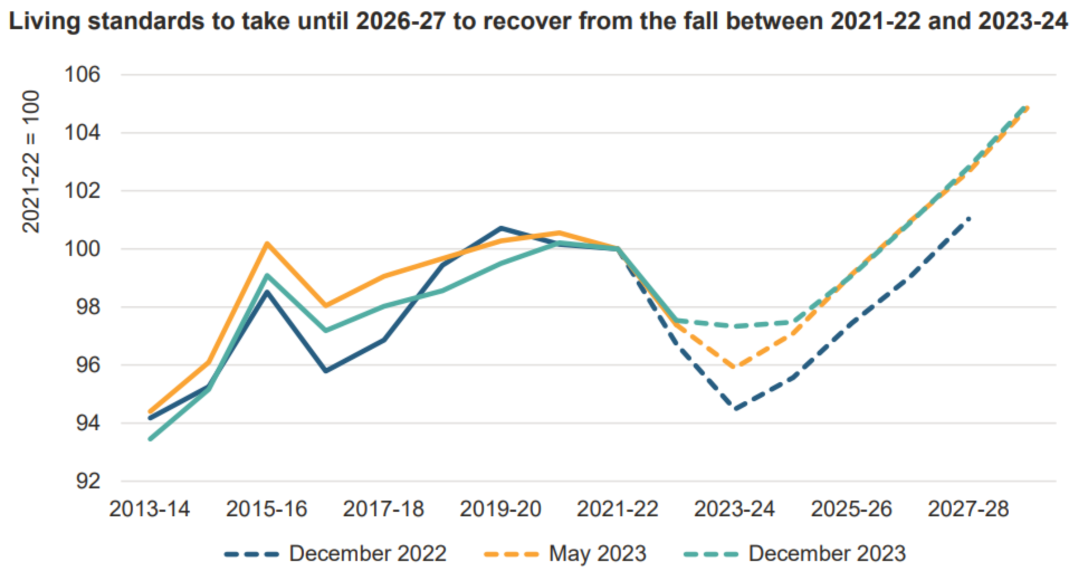
3.7.1 Fees and charges are an important source of funding for local authority services, and some provide a positive inflow of cash to support the overall revenue budget, a common example being car parking income. Other external income raised through fees and charges will often recover a proportion of the cost of delivering a specific service, lowering the overall cost to the General Fund revenue budget. Securing an income from a strong customer base, with repeat use can help to avoid public subsidy for discretionary services.

3.7.2 Statutory and regulatory limits do hinder local government and in areas of planning and licensing, for example, the price paid by the customer is not set by the council and does not cover the cost of services delivered.

3.7.3 In the post-pandemic changed environment forecasts for income from fees and charges is far from certain and continues to be affected by on-going behaviour changes from customers, citizens and visitors, as well as economic conditions. While this will be captured in the current year through the quarterly financial performance reports, looking ahead it is clear that careful consideration of the opportunities and gaps that exist in our income base need to be considered. The forecasts for now are prudent.

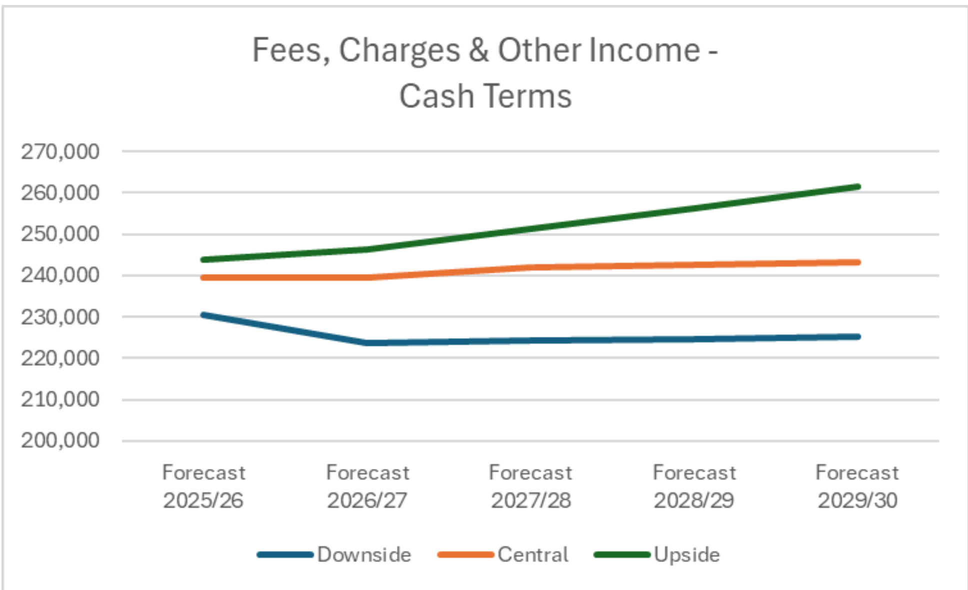
3.7.4 The resilience framework (Section 6) looks at the income streams on which the Council relies, and Appendix 1 provides details of the top 20 funding streams that shows just how important that customer income is to the Council.

3.7.5 There is an undoubted challenge with balancing the need for income by the Council in the context of a cost of living crisis and the signs the household disposable income is reducing. The Scottish Fiscal Commission (SFC) stated in their recent report[55] that "Lower-income households and some mortgage holders are likely to see a further fall in their living standards in 2024-25…" And it will not be a quick fix, they predict that "…by 2025-26, real disposable income per person will be no higher than a decade earlier."



3.7.6 Conclusion:

Chart 25: Fees and Charges Scenarios



[55] Scottish Fiscal Commission, December 2023 (revised version April 2024), Scotland's Economic and Fiscal Forecaststs

3.8 *Discretionary Powers*

3.8.1 Beyond these fiscal powers local authorities have very limited access to raise monies. Recent actions to open opportunities to local authorities has centred on infrastructure-based levies, including road pricing, workplace parking and an infrastructure levy included in the Planning (Scotland) Act 2019. The Visitor Levy (Scotland) Bill[56] was passed on 28 May 2024, and became an Act on 5 July 2024. The enacted legislation gives local councils the ability to add a tax to overnight accommodation if they wish to do so. This will be based on a percentage of the cost, with the rate set by individual councils. The Act confirms that there must be at least 18 months between the date of a local authority publishing a report stating it intends to proceed with such a scheme, and the scheme coming into force. This means the earliest any Visitor Levy Scheme could come into force in Scotland is 5 January 2026, and only once the required consultation exercises under the Act have been completed.

3.8.2 While there is a mixed picture of legislation already in place to support these levies, further regulation and statutory instruments are required to provide local authorities the powers to implement them and it is going to be some time before local authorities can draw any benefit from such fiscal freedom.

3.8.3 The Programme for Government committed the Scottish Government to devolving the Empty Property Relief in connection with Non-Domestic Rates. The intention being to level the playing field for all non-domestic properties, the Scottish Government will help local authorities tackle a known avoidance tactic on empty non-domestic properties. This came into effect from April 2023.

3.8.4 The Circular Economy (Scotland) Bill[57] was passed on 26 June 2024 and became an Act on 8 August 2024. The purpose is to introduce measures as part of the transition to a circular economy that require primary legislation, and to modernise Scotland's waste and recycling services. This includes Reducing waste; Increasing penalties for littering from vehicles; and Making sure individual householders and businesses get rid of waste in the right way.

3.8.5 Conclusion:

I. Table 3: Analysis of Emerging Discretionary Powers

[56] Scottish Parliament, May 2023, Visitor Levy (Scotland) Bill

[57] Scottish Parliament, August 2024, Circular Economy (Scotland) Bill

Discretionary Powers	**Primary legislation in place (yes/no)**	**Required statutory regulation in place (yes/no)**	**Anticipated year we can expect to be able to use power?**
Visitor Levy	Yes.	Yes	2026/27, subject to required consultation exercises
Workplace Parking Levy	Yes. Transport (Scotland) Act 2019	No.	Unclear
Infrastructure Levy	Yes. Planning (Scotland) Act 2019	No. The power to make regulations about an infrastructure levy is not yet in force and, as such, no regulations have been made.	Unclear. Planning (Scotland) Act 2019 provides that the power to introduce a levy will lapse by 25 July 2026.
Non Domestic Rates Empty Property Relief	Yes.	Yes.	2023/24. Power exercised as part of budget.
Circular Economy	Yes	Yes	Estimate 2026/27 at earliest, requires Parliamentary process allowing 90 days for representations to the first set of proposed regulations

II. As the underlying statutory framework is not yet in place the scenario plans have not been affected by additional income arising from exercising these powers.

III. The council should continue to identify and evaluate emerging discretionary powers on a regular basis to determine their applicability to Aberdeen City.

3. THE CONSOLIDATED MEDIUM-TERM OUTLOOK FOR THE GENERAL FUND

3.1 Medium Term Financial Strategy – Quantification of the Funding Gap

3.1.1 Overall, the medium-term outlook is that increasing demand and pay and price inflation will drive costs up at a faster rate than the council can expect to raise income. This has only got more difficult as inflation increased and peaked at levels not seen for forty years. While inflation is forecast to fall in the short term, it doesn't mean that prices are not continuing to increase. Unless funding is provided through the range of income streams, but fundamentally from Scottish Government grant then there is a question of the sustainability of local government. It is difficult to see the same level of services being delivered over the course of the medium term horizon as are in place today.

3.1.2 Details of the key assumptions are contained in the tables below. The calculations that flow from these assumptions reveal a particular sensitivity to Scottish Government funding levels and general pay and price inflation assumptions, while key components of the demand underpin rising costs, such as population demand changes.

Table 4: Funding and Income (percentages are shown in cash terms)

Source	Description	Upside Scenario	Central Scenario	Downside Scenario
Scottish Government Revenue Grant	Combined grant income from General Revenue Grant and Non-Domestic Rates.	Year 1 1.6% Year 2-5 0.5-1.5%	Year 1 0.0% Year 2 0.0% Year 3-5 0.0%	Year 1 -0.2% Year 2-5 -0.2%
Council Tax	Increasing the rate is a council decision made at budget setting time, the Band D rate has therefore not been increased in any scenario, The budget decision will provide a solution to address the scenarios. It is expected that Council Tax income will be increased in 2025/26 to reflect a real terms increase, and while there is no imposed Council Tax cap now applied to the rate by Scottish Government, this support the funding of the rising cost of services and inflation in pay and prices that cannot be absorbed by the Council.			
Council Tax	Tax base increase from additional chargeable properties.	Year 1-5 total 3,250 properties	Year 1-5 total 2,845 properties	Year 1-5 total 2,000 properties
Fees, Charges and Other Income	External income raised from customers. Approval for rate increases is a council decision, therefore rates charged in 2024/25 have continued to be applied to each scenario. The budget decision will provide a solution to address the scenarios. Similar to Council Tax, careful consideration of the full cost recovery, the impact that inflation is having on the cost of delivering chargeable services must be taken into account when setting annual charges across the MTFS period.			

Fees, Charges and Other Income	External income changes due to economic conditions.	Year 1 -5 Additional £2.5m	Year 1 Stable income	Year 1 £6m loss & return to current over 8 years
One-off funding streams	2023/24 Budget made use of Balance Sheet resources and one-off funding streams these must be replaced as they are non-recurring. Assumption for 2024/25 only, £5.5m.			

Table 5: Expenditure (percentages are shown in cash terms)

Source	**Description**	**Upside Scenario**	**Central Scenario**	**Downside Scenario**
Inflation	Pay	Year 1-5 2% Pay award funded by SG grant if greater than assumptions	Year 1 3%; Year 2-5 2% Pay award funded by SG grant if greater than assumptions	Year 1-4 4%; Year 5 2.5% Pay award funded by SG grant if greater than assumptions
Government Policy	National Insurance	Year 1-5 0% No further increases beyond 2024/25	Year 1-5 0% No further increases beyond 2024/25	Year 1-5 0.5% Reintroduce an increases following reversal in 2022/23
Inflation	Price – including contracts, grants and ALEOs	Between 0% and 2.5% p.a.	Between 1.25% and 2% p.a.	Between 3% and 9% p.a.
Inflation	Utilities, including Gas, Electric, Heating Oil, Water	Gas 0% Electricity 2.5%	Gas 3% falling to 1% Electricity 5.7%	Gas 15% falling to 5% Electricity 15% falling to 8%
Population Demand	Children, schools impact	School roll slower	Total Year 1-5 Stable	School roll increases
Capital Investment Demand	Capital Financing	Year 1 2.5% Year 2 3% Year 3 3% Year 4 3% Year 5 0.5%	Year 1 9% Year 2 10% Year 3 6% Year 4 4% Year 5 -2%1.7%	Year 1 10% Year 2 7% Year 3 14% Year 4 10% Year 5 5%
Capital Investment – Local Policy	Loans Fund Repayment		Asset Useful Life = Average 40 years; and	

			Interest Rate = Average 5%	

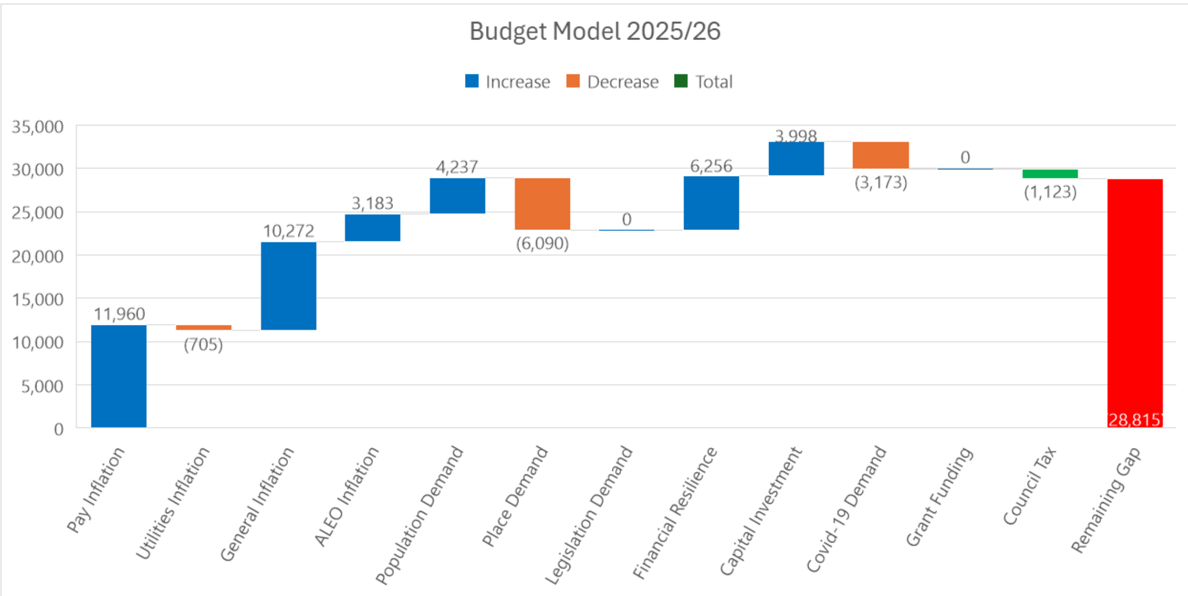
3.1.3 Figures for the Council's Functional structure are presented in the following table, reflecting the changing costs for the Central Scenario.

Table 6: Central Scenario Forecast from 2024/25 to 2029/20 (Gross)

Budget Forecasts - General Fund	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
City Regeneration & Environment	30,235	38,598	43,667	46,152	48,052	49,992
Corporate Services	43,487	44,132	43,151	41,461	43,144	44,890
Familiies & Communities	307,384	324,681	328,710	332,260	338,374	341,152
Integrated Joint Board	121,932	121,932	121,932	121,932	121,932	121,932
Corporate	104,429	102,558	112,712	120,322	126,447	128,162
	607,467	**631,901**	**650,172**	**662,127**	**677,949**	**686,127**
Funded By						
General Revenue Grant	(252,057)	(252,057)	(252,057)	(252,057)	(252,057)	(252,057)
NNDR	(208,113)	(208,113)	(208,113)	(208,113)	(208,113)	(208,113)
Council Tax	(139,727)	(140,850)	(141,393)	(141,937)	(142,480)	(143,023)
Use of Reserves	(7,569)	(2,065)	(4,821)	(5,252)	(5,423)	(5,419)
	(607,467)	**(603,086)**	**(606,385)**	**(607,359)**	**(608,074)**	**(608,613)**
Gap (Cumulative)	**0**	**28,815**	**43,787**	**54,768**	**69,876**	**77,514**

3.1.4 The forecast position changes in the different elements of the central scenario, can be represented by the graph in Chart 26.

Chart 26: ACC General Fund 2025/26



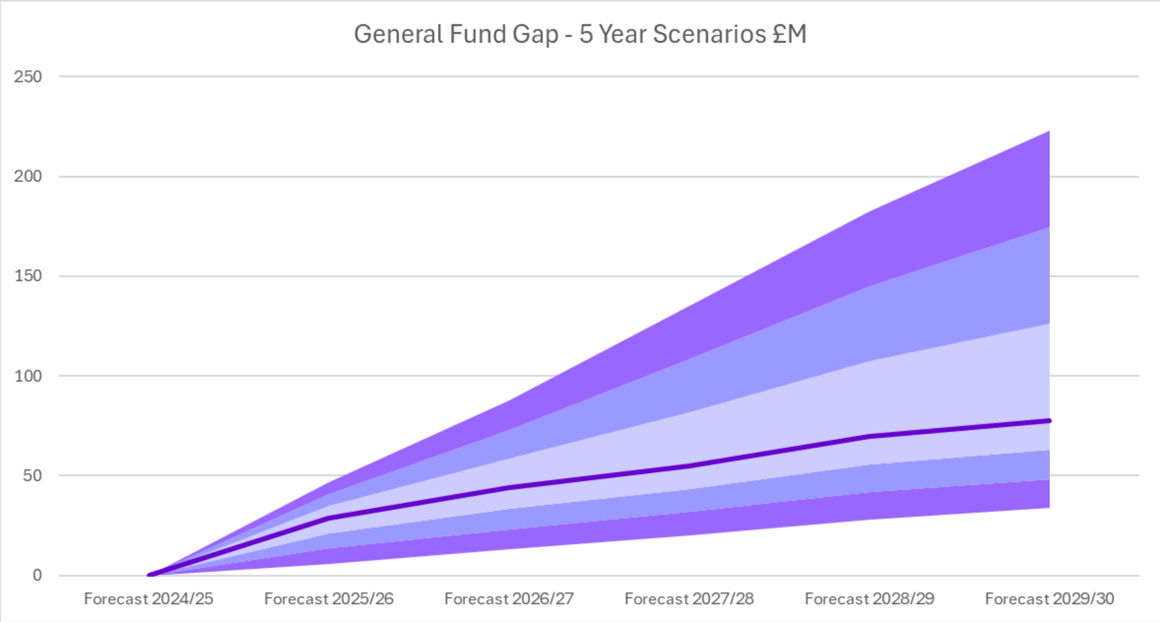
3.1.5 The impact of income and expenditure assumptions over the next five years, with the Upside and Downside scenarios quantified is shown in the table below.

Table 7: Budget Gap Scenarios (before Savings are applied)

After Assumed Savings	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30
General Fund Budget Gap	**£M**	**£M**	**£M**	**£M**	**£M**	**£M**
Downside Scenario	0	47	88	135	182	223
Central Scenario	**0**	**29**	**44**	**55**	**70**	**78**
Upside Scenario	0	6	13	20	28	34

3.1.6 More clearly shown in graphical form, below, it shows the range of scenarios that may happen over the course of the years ahead.

Chart 27: Budget Gap Scenarios



3.1.7 The scenario plans reveal a range for 2025/26 of between £6m and £47m, with a central scenario that has moved (from last year's MTFS) towards the upside set of assumptions, as a result of the stabilisation of inflation forecasts, but still no improvement in funding forecast assumptions. These remain based on a strongly directed spending profile by Scottish Government and flat cash assumptions that are supported by the 2022 Scottish Government Resource Spending Review and reinforced by the 2023 Scottish Government MTFS. The updated Scottish Government MTFS is not expected until after the UK Government Autumn budget at the end of October 2024.

4. CAPITAL FUNDING AND INVESTMENT

4.1 The Funding Outlook – Scotland, Local Government and Aberdeen City Council

4.1.1 Drawing on the funding outlook for the UK, described in Section 2, the overall expectation for capital funding being made available has the added dimension that capital investment can stimulate the economy and be a lever to support businesses, supply chain and economic growth in times of crisis.

4.1.2 The Chancellor set out in his 2021 Autumn Budget and Spending Review a budget that is multi-year, as referenced earlier, and this included the capital funding commitments that provides the information the public sector requires to plan for capital investment. The three-year budget figures were linked to the Levelling Up agenda, so that for many areas of the UK there was relevant and specific reference to funding commitments being made.

4.1.3 This included Scotland, where outside the Scottish Block funding announced there was also £170m of capital investment made directly by the UK Government into Scotland, through Scottish Local Authorities. This link between UK Government and Scottish Local Government provides an opportunity to tap into additional funding, not currently available. For the Council this resulted in the award of the full £20m from the Levelling Up Fund, for the Aberdeen Market project.

4.1.4 It was thought this source of funding was of particular importance as the Levelling Up Fund is not a 'once only' Fund, but one that will seek bids in the future. To this end the Council submitted a second bid for funding, in respect of the Beach Masterplan and was unsuccessful in being awarded any funding. Funding for second round bids was directed to local authority areas that had not been successful in round one, and funding for third round bids directed to local authority areas that had not been successful in either of the previous rounds. While the Council remains agile and aware of the opportunities that exist in accessing the valuable funding stream it is perhaps realistic that until Levelling Up has reached all parts of the UK, there will be less likelihood of a further award. Following the General Election in July 2024, it is not clear if there will be a fourth round for the Levelling Up Fund, as we await details from the new UK Government.

4.1.5 Other Funds have emerged with the UK Shared Prosperity Fund being announced and funding decisions now beginning to be taken to award funding locally[58] within the criteria that has been set out. The allocation to Aberdeen City Council area is £7.2m

[58] Aberdeen City Council, July 2023, UK Shared Prosperity Fund report

for the period to 2024/25 and the Council has been regularly approving applications for use of the Fund[59]. No details for 2025/26 or beyond have been announced.

4.1.6 The Scottish Government published its Infrastructure Investment Plan for Scotland 2021/22 to 2025/26[60] on 4 February 2021. The Scottish Government described the purpose of this as "Our Infrastructure Investment Plan covers 2021-22 to 2025-26 and delivers our National Infrastructure Mission commitment to boost economic growth by increasing annual investment in infrastructure by 1% of 2017 Scottish GDP by 2025-26."

4.1.7 Investment in infrastructure can provide stimulus and economic growth, evidenced through increases in GDP, therefore having this national picture is important to understand financial commitments, resource allocation decisions and to provide context for local decisions being made. Following the 2021 Scottish Parliamentary elections the Scottish Government published its Programme for Government[61] where capital investment continues to be expanded but noted that prioritisation of health and social care continues to dominate with a commitment, for example, to "Capital investment of £10 billion over the next decade will see health facilities built and refurbished across Scotland."

4.1.8 In May 2022 the Scottish Government published, alongside the Resource Spending Review, a Targeted Review[62] of the Capital Spending Review. This highlighted that three things had changed in the period since February 2021:

- Scotland received a lower than expected capital settlement from the UK Government's Autumn 2021 Spending Review – reducing the funding envelope by over £750 million;
- the establishment of the new Scottish Government in 2021 with an increased commitment to tackle global climate and nature emergencies, reinforced by COP 26; and
- Scotland faces the additional impacts of high inflation, supply chain pressures and business disruption due to a combination of the impact of the UK's exit from the European Union, the pandemic and the crisis in Ukraine.

4.1.9 The reliance on the UK Government for capital grant allocations, with limited capital borrowing powers, means the Scottish Government has concluded that it is not possible to immediately fund all the commitments from the existing spending review and those set out in the Programme for Government.

[59] UK Shared Prosperity Communities and Place Fund | Aberdeen City Council

[60] Scottish Government, Infrastructure Investment Plan 21/22-25/26, February 2021
[61] Scottish Government, Programme for Government, 7 September 2021
[62] Scottish Government, May 2022, Targeted Review of Capital Spending Review 2023/24-2025/26

4.1.10 The latest Scottish Government MTFS presented an indication of the funding that it expects to have for Capital investment over the next four years. As shown in the table below, significantly that even under the Upside variant there remains a large capital funding shortfall vs the spending outlook.

Table 8: Illustrative Upside and Downside Capital Funding Scenarios (£m)[63]

	2023-24	2024-25	2025-26	2026-27	2027-28
Central funding outlook	6,004	5,873	5,882	5,902	5,909
Upside scenario	6,004	5,873	6,033	6,209	6,378
% variation	*0.0%*	*0.0%*	*2.6%*	*5.2%*	*7.9%*
Downside scenario	6,004	5,873	5,835	5,808	5,769
% variation	*0.0%*	*0.0%*	*-0.8%*	*-1.6%*	*-2.4%*

Source: Scottish Government

4.1.11 It can be determined from this, and the lack of any detailed update in the latest Programme for Government published in September 2024[64] that there is no more funding for the Council to support increased investment locally and all of the additional cost associated with capital investment will have to be met by partners or by the Council borrowing more. The alternative is to reprioritise or reprofile the Capital Programme, as has been done several times in the last 2 years. The latest report to Finance and Resources Committee saw minor changes approved to the General Fund Capital Programme by the Committee in September.

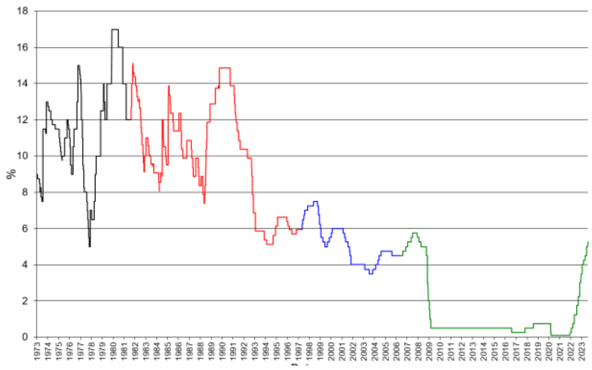
4.1.12 The final bullet point is one that has been laboured throughout the earlier pages of this document, and evidence of the capital effect was clear last year as contracts and sites were paused to retender, stop and delay incurring costs that are extremely high. The report on supply chain volatility[65] that was considered by City Growth and Resources Committee remains relevant today, if not more relevant. That report presents a highly challenging capital investment environment, with costs of projects and timescales for projects rising higher and faster than has been seen for many years. The impact of actions taken to control inflation by the Bank of England, by increasing the cost of borrowing, means that there are multiple layers of financial effect. Although those measures must now be seen as successful, due to the lowering of the inflation rate over the last year, prices did not fall back to level seen prior to the Russion invasion of Ukraine, so the baseline movements in costs still remains. In historic terms the cost of borrowing has now risen to levels not seen in over a decade, raising the cost of future borrowing and countering the sense that we live in a low cost environment that will continue as the norm.

Chart 28: Bank of England base rate/minimum lending rate since 1973

[63] Scottish Government, May 2023, Medium Term Financial Strategy

[64] Scottish Government, September 2024, Programme for Government 2024-25

[65] Aberdeen City Council, June 2022, Supply Chain Volatility report



Source: Bank of England

4.1.13 Projects costing more, requiring additional funding to support delivery and borrowing costing more than it did, it adds up to a reason to review the purpose, progress and value of the capital programme.

4.1.14 Paying for the cost of Capital Programmes has become more and more challenging, with increasing levels of external debt and a requirement to meet those commitments, as well as recent increases in borrowing costs. The level of Capital Financing Requirement (CFR) that the Council General Fund had at 31 March 2024 was £1.25billion[66], this includes the Council long-term borrowing and for the assets financed through PPP and Finance Lease arrangements. The cost of servicing all this borrowing is funded by the Revenue Budget annually, therefore increasing borrowing adds cost to the General Fund budget.

4.1.15 The Capital Programme approved by the Council in March 2024 was accompanied by future CFR projections (as part of the required Prudential Indicators), and these are shown in the following table.

	Capital Financing Requirement						
	2022/23 £'000 Actual	**2023/24 £'000 Estimate**	**2024/25 £'000 Estimate**	**2025/26 £'000 Estimate**	**2026/27 £'000 Estimate**	**2027/28 £'000 Estimate**	**2028/29 £'000 Estimate**
Gen Fund	1,258,748	1,269,917	1,445,177	1,602,410	1,705,392	1,756,853	1,785,586

4.1.16 Following a recommendation by the Chief Officer – Finance to agree a cap of 10.5% on the annual cost of capital financing as a percentage of the General Fund Net Expenditure the Council agreed at the budget meeting in March 2024 to a 12% cap. This rising CFR shown above will challenge that cap, as can be seen from the forecasts included as part of the March 2024 Prudential Indicators, shown in the table below:

	Ratio of Financing Costs to Net Revenue Stream						
	2022/23 Actual	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Gen Fund	6.9%	9.8%	10.9%	12.4%	13.9%	15.1%	15.9%

66 Aberdeen City Council 2023/24 Audited Annual Accounts

4.1.17 As the funding to support capital expenditure is not in place the Council must maintain a robust approach to consideration and scrutiny of business cases, and will be increasingly important. Care must also be taken when external funding is offered or available and a full assessment of the circumstances should be applied as part of the business case approach taken.

4.1.18 The eyes of the world were on Scotland when COP26[67] took place in Glasgow in 2021. Clear commentary from both UK and Scottish Governments demonstrates both funding being available, and investment required within the "Green Economy". The Scottish Governments Infrastructure Investment Plan has as its first Theme: Enabling the transition to net zero emissions and environmental sustainability. It describes why this is important "Public infrastructure investment has a critical role to play in tackling the twin crises of climate change and biodiversity loss. We will increase spending on low carbon measures, climate resilience, and nature-based solutions." The targeted review maintains that emphasis, with Climate change being included as an enduring priority.

4.1.19 One of the Verity House Agreement shared priorities is **transform our economy through a just transition to deliver net zero**, recognising climate change as one of the biggest threats to communities across Scotland. It is clear this remains uppermost in the minds Scottish and Local Government and action has to be taken. The overriding concern for the MTFS is the funding of this transition, as there are no clear routes for this and we should expect this to be iterative over a period of many years rather than something that will be funded now.

4.1.20 On 22 February 2023[68], the Council agreed to "Join local authorities across the world which have responded to the twin crises of climate change and nature loss and declare a "Climate and Nature Emergency"; acknowledging the urgency of the crises, their cascading impacts and commit to address these emergencies."

4.1.21 The commitment extends to a number of specific points:

- Commit to tackling the climate and nature emergencies together; recognising the many and various societal, economic and environmental co-benefits that can be achieved from taking action on climate change and nature recovery; including for skills, products, services, placemaking, health and wellbeing.
- Reaffirm its commitment to take effective action through the current and successive Council Climate Change Plans to limit the impact from Council assets and operations and meet the Council's net zero targets, climate resilience and nature recovery priorities.
- Commit to continuing proactive work with other public, private, third and community sector partners towards Aberdeen becoming a net zero city by 2037 and to build climate resilience and nature recovery, delivering the Net Zero

[67] COP26

[68] Aberdeen City Council, February 2023, Notice of Motion by Cllr Yuill

Aberdeen Routemap, enabling strategies; and Aberdeen Adapts, Climate Adaptation Framework[69].

- Plan, develop and manage a Just Transition response to the climate and nature emergencies to ensure fair and positive societal change, tackling inequality and injustice.
- Consider and address the impact, challenges and opportunities of climate and nature in all Council decisions, policies, strategies, plans and projects.

4.1.22 With Council ambition contained in the Net Zero Vision, the Council must seek to harness this over the medium term and is well placed to capitalise on its position within the energy market. In February 2022 the Council approved[70] the city-wide approach to addressing climate change, as articulated through a *Net Zero Routemap* which sets a net zero target for Aberdeen City by 2045 across six themes and the refreshed *Aberdeen Adapts*, providing a climate adaptation framework for Aberdeen.

4.1.23 Clear alignment within the Local Development Plan (LDP) and the future investment within the city (both by the public and private sector) are critical to providing land availability to allow future investment to take place.

4.1.24 The LDP clearly has ear-marked land for the Energy Transition zone and outline business cases are already in development to bring this aspect of the planning regime to life.

4.1.25 This is coupled with the already approved Strategic Investment Plan[71] approved by the Council and begins to articulate the future investment required to ensure the city is at the forefront of future energy sources as well as moving towards a net zero carbon footprint.

4.1.26 Investment in electric and hydrogen vehicles, sustainable energy sources for heating as well as Low Emission Zones will all be key to delivering a successful city of the future. All these investment strands are being brought forward at a pace to help deliver against this climate change backdrop. The Capital Programme continues to support several initiatives, including investment in electric and hydrogen vehicles, charging infrastructure and the hydrogen hub (a joint venture with bp).

4.1.27 However, a city must be able to offer a much more diverse offering to attract the investment to make it a city of choice in terms of where to live and work. While pre-Covid-19 urbanisation was seen as the future in a post Covid-19 world this becomes blurred as human behaviour may well have changed forever.

4.1.28 As individuals and businesses seek to find a new “norm” the pressure on cities to redefine themselves will become ever more important. As people potentially work

[69] Net Zero Aberdeen & Aberdeen Adapts: Annual Report 2023/24

[70] Council, 28 February 2022, Climate Change: Citywide strategy and Council carbon budget [COM/22/054]

[71] Net Zero Vision and Infrastructure Plan, UBC May 2020

from home, children are educated out with a traditional school setting, on-line shopping becomes even more prevalent and other health issues begin to manifest themselves traditional capital investment by a local authority needs to be paused and re-examined.

4.1.29 Where people live and the type of housing they live in will no doubt change in the future. For example, people working from home and children being educated in a blended way means the Council will have to adapt.

4.1.30 The current house building programme approved by the Council in February 2020, presciently, set a new "Gold Standard" which would ensure space in a residential setting would provide for:

- Space to work from home;
- Energy Efficiency and tackling fuel poverty;
- Dedicated space for children to learn at home;
- Dedicated "Green Space"; and
- Encouraging fit and healthy lifestyle (cycling and walking).

4.1.31 In support of the vision, the Net Zero Vision prospectus recommends five co-dependent strategic objectives that will support the economic imperative to transition to a different energy future beyond oil and gas anchoring talent and the energy supply chain; innovation and technology transfer; a new energy destination of choice; and leading and advocating for the city and energy sector:

i. Leading the Global Transition - Our city is a world-class destination for inward investment in alternative energy research, innovation, and commercialisation, underpinned by our credentials and track record;

ii. Accelerating Transition Demand - Our city and its institutions are an anchor of demand and aligned local investment for alternative energy technologies, infrastructure and services, particularly those relating to hydrogen, offshore wind, carbon capture, utilisation and storage, and decommissioning;

iii. Resilient, Productive and Dynamic Place - Our city is recognised the world over as the resilient, productive and dynamic place at the heart of a world-class energy transition cluster;

iv. Climate Positive Exemplar - We play our full part – as a climate positive advocate and exemplar – in meeting the headline global goal of the Paris Agreement on Climate Change by limiting average global warming to no more than 1.5oC above pre-industrial levels;

v. Putting People First - Everyone contributes to and shares in the proceeds of an equitable, sustainable and prosperous transition and future.

4.1.32 The plan aligns to the overall objective of Aberdeen meeting the net carbon zero target by 2045 and, ultimately, to achieve climate positive status, and the goals of:

- Clean energy supply for the city, UK and internationally
- Aberdeen's infrastructure is adaptable to changes in climate
- Sustainable mobility
- Building Energy Efficiency
- Sustainable Waste Management

4.1.33 Building on all of this, capital investment decisions on the future infrastructure requirements of the city will have to align to these principles.

4.1.34 The current Capital Programme for the General Fund was approved in March 2024 with investment of £814m in city projects over the five years to 2027/28. Details of the programme are shown in Appendix 2 and includes significant future investment in education and school estate, while supporting the modernisation of technology infrastructure over the five years. Funding for transport and for the City Centre and Beach Masterplans remains a core part of the approved programme, shifting the emphasis on transport towards alternatives to the car, prioritising public transport and infrastructure for electric and hydrogen technologies, as the same time supporting the transformation of the City Centre and the Beach areas. As referred to above, the programme is again being reviewed in light of economic conditions and capacity and supply chain challenges.

4.1.35 Shaping the future, taking account of the ambition described above will be managed within the framework of the Prudential Code for Capital Finance in Local Authorities, which requires this to be prudent, affordable and sustainable. With the financial challenge so significant in revenue terms, a choice will be to decide on the level of capital investment that is affordable and sustainable. Options would be to stop potential investment projects, reduce the scope or quantity of investment provided, and delay and extend the period of investment. These options would have an impact on both the financing costs of the projects but also the revenue implications of new facilities and assets being created and becoming operational.

4.1.36 The financial environment across the Scottish public sector is challenging, with the Scottish Fiscal Commission forecasting that if public services in Scotland continue to be delivered as they are today, government spending over the next 50 years will exceed the estimated funding available by an average of 1.7% each year[72]. All local authorities will be affected by such pressures. Aberdeen's successful economy and well-run governance provide some resilience. However, the ageing population is putting additional demands on services, particularly in healthcare and adult social care. With more over 65s than under 16s in Scotland, local government budgets are increasingly strained as they prioritise funding for these essential services.

[72] Scottish Fiscal Commission, March 2023

5. RESPONSE TO THE CONSOLIDATED MEDIUM-TERM OUTLOOK FOR THE GENERAL FUND

5.1 *2024/25*

5.1.1 The Council's allocation of resources and budget is set annually within the context of a commissioning cycle which aligns available resources to a broad range of commitments which are described through:

- Statutory duties;
- Implementation of the Council's Partnership Agreement;
- Commissioning intentions which support the delivery of the Local Outcome Improvement Plan and other strategic outcomes; and
- Service standards which specify the level of service to be delivered.

5.1.2 It is essential that the Council balances its budget in-year and does not add unplanned expenditure into the financial modelling and MTFS. The monitoring of the current year is being carried out in line with the Council's quarterly financial reporting Based on the Quarter 1 Financial Performance Report[73] the Committee noted that "…the General Fund full year forecast position remains on track to achieve a full year outturn of 'on budget'. Continuing action…..will remain in place for the financial year." In addition, "…the Council relies on the Integration Joint Board (IJB) achieving a balanced budget, and that the IJB retains reserves to mitigate unplanned additional costs arising during the year…""

5.1.3 This does assume that pay negotiations do not create additional cost to the Council and that any additional monies required to reach an agreement are fully funded by the Scottish Government. While Teachers bargaining group have resolved the position for part of 2024/25, resetting their pay award date to 1 August each year, for all other staff the pay negotiations are ongoing. The Scottish Government has provided additional funding to partially support all the pay negotiations.

5.2 *2025/26 and beyond*

5.2.1 Resource allocation for future years will be derived from the council's commissioning cycle. Specifically, the services which the Council delivers will be reviewed annually with ***analysis*** of the operating environment through:

- Horizon scanning
- Scenario planning

[73] Finance and Resources Committee, August 2024, Council Financial Performance Quarter 1, 2024-25 – CORS/24/223

- Strategy review
- An analysis of statutory duties
- An analysis of current and projected demand
- Performance levels achieved
- An analysis of financial data
- An analysis of contracts
- An analysis of workforce data

5.2.2 Delivering a balanced budget across the Medium Term Financial Strategy must be tackled thought a range of different approaches, using all of the opportunities that the Council has at its disposal where and when they are available. The tools that Aberdeen City has and has put in place to do this include:

- The Target Operating Model (TOM 1.2) and transformation of the Council
- Multi-Agency Transformation
- Efficiency Savings
- Changing Service Standards
- Exercising discretion to increase income
- Statutory Function Review
- Reserves and Fiscal Flexibilities

5.3 Future Transformation Priorities

5.3.1 From 2017 Phase 1 of the Councils transformation shifted the organisation to a new way through the Target Operating Model (TOM). With the implementation of the TOM and delivery of the digital strategy, along with the delivery of required savings and a balanced budget over the five years (2018/19 to 2022/23), the Council refreshed our transformation journey and the next phase of our Target Operating Model – TOM 1.2[74] was agreed in August 2023.

5.3.2 While transformation is not only about delivering the necessary savings; there is an even more crucial need for organisational culture to be strategically oriented towards the towards the capabilities envisaged by the Council's Operating Model, for example, preventing customer demand, anticipating demand, supporting customers to manage their demand, and in the event, responding to the demand ensuring that staff are working with a focus on outcomes. A very deliberate attempt has been made, and will continue to be made, towards influencing the culture of the organisation as well as ensuring that all staff have the right skills and working environment practices to operate within a changing environment.

[74] Council, 24 August 2022, Council Target Operation Model (TOM) 1.2

5.3.3 TOM 1.2 focuses on further embedding the design principles and capabilities, supporting deeper and broader service redesign, with digital as an enabler. Crucially it will enable the organisation to deliver savings required for the next 5 years from 2024/25 to 2028/29 as set out in this Medium-Term Financial Strategy (MTFS).

5.3.4 The objectives of TOM 1.2 are:

1. Support the Council to address the 5-year funding gap of £134m as outlined in the MTFS 2022. (Now revised as per 3.1.5 above)
2. Continue to exploit digital technologies within the Council's Digital Transformation agenda to enable services to adopt technology for various activities and processes, thus enabling the Council to fully leverage technologies to accelerate their processes.
3. Develop an organisational workforce that is flexible ensuring all staff have the necessary skills to work effectively within the Council's operating model.

5.3.5 In addition to the Council's own transformation programmes, we have established a Multi-agency Transformation Management Group and have worked collaboratively with partner agencies on transformational activity relating to digital services; use of assets; early intervention and prevention through the management of demand; and the design of specific services, with a particular focus on children' services.

5.3.6 Looking forward and within the context described by this medium-term financial strategy, the Transformation Programme has been reviewed and refocused on the capabilities and actions to support deeper and broader service redesign which will be required to ensure financial stability in future years. The priorities for the next phase of the Transformation Portfolio will build upon our systemic redesign of services to ensure we respond to and shape future demand. Specifically, this transformation activity will focus on:

- Taking full advantage of the opportunities which are presented through the rapid acceleration of digital technology, the availability and management of data and how this can support both planning and transactional services for our customers. The council has, and will continue to, invest in new IT systems and technologies, to increase productivity and efficiency through end-to-end processes, customer journey and improvements in information and technology;
- The flexibility of our workforce and the ability to respond to different demands and a different environment. We will continue to invest in the culture, training and development that will deliver a diverse and inclusive workforce for the future;
- The use of our physical assets to support transformation of our services and deliver an increased return for the Council. The council holds significant physical resources such and through the implementation of an updated Asset Strategy we will continue to work to optimise the use of our assets. We will improve the use of data

to ensure we fully understand the nature and value of our assets to support informed decision making; and

- Working closely with our partners, customers and communities to deliver inclusive, whole system redesign. Building on our work to identify and reduce negative demand, much of the demand which local authorities experience can only be effectively reduced through early intervention and prevention activity delivered jointly with our partners including, where appropriate "co-production" of local services with communities. Our partnership work will be driven through both Community Planning Aberdeen and the North East Multi-Agency Transformation Management Group.

5.3.7 In recognition of this approach the initial activity that has been done on our programme of work has resulted in a range of workstreams. While the detailed discovery, planning and analysis is carried out, working towards decisions being taken, a judgement of the value that the Council should be aiming to achieve has been forecast. This covers the transformation workstreams of the Council and also the Multi-Agency transformation that is being worked on.

5.3.8 The value that the Council places against those transformation programmes is included in the table below, which estimates the timescale for when those savings and income streams may be delivered. As the detail is worked through and decisions are taken on specific actions these values will be firmed up and locked in.

Table 9: Proposed Savings / Income Generated from Transformation Programmes

Assumed Savings/Income Generated through Transformation Programmes of Work	**2024/25 Indicative budget saving £'000**	**2025/26 Indicative budget saving £'000**	**2026/27 Indicative budget saving £'000**	**2027/28 Indicative budget saving £'000**	**Total 4 Years Indicative budget saving £'000**
Transformation of the Council	(7,611)	1,367	(2,699)	(12,744)	(21,687)
Multi-Agency Transformation	(500)	(1,025)	(1,285)	(1,200)	(4,010)
Total	**(8,111)**	**342**	**(3,984)**	**(13,944)**	**(25,697)**

5.3.9 This is not the total extent of what the Council expects to achieve from transformation. Opportunities to close the funding gap will arise that will impact directly on service levels and standards and may affect our commissioning intentions. These have not been baked into the MTFS 2024 and will instead continue to be developed into specific budget options for 2025/26 and beyond.

5.4 Linked Strategies

5.4.1 The Strategic Commissioning Committee agreed in November 2019 a revised Strategy Framework[75] which reframed the formal strategies of the Council to ensure their full alignment to the Local Outcome Improvement Plan and their consistency with each other. Through the adoption of the commissioning cycle, the council's strategies have a fundamental role in the strategic allocation of resources. This Strategy is a key plan which provides context and sets principles which must be reflected within the council's strategies. The council's updated strategy frameworks are shown at Appendix 3.

5.5 Efficiencies

5.5.1 These have been a necessity of local government financial settlements, that the sector does more with less year on year, and this has been essential given the real terms cut in funding that local government has received over the last decade, referenced earlier in the document.

5.5.2 Experience shows that managers year on year are able to deliver savings as part of business as usual, based on decisions to not purchase the same volumes of goods and services, to change the product or commodity that is purchased, to negotiate and tender for better prices, to identify if work can be done in a different way that improves productivity or removes inefficiency of historic work or procedural processes.

5.5.3 These do not have to be described as transformation or be a fundamental redesign, these can be achieved through behaviour, through capability and through access to

[75] Strategy Framework, SCC, November 2019

advice and guidance on options. All this points in the direction of the principles of the TOM but results in savings that can be captured because the Council does thing more cost effectively.

5.5.4 Part of the solution to the MTFS budget gap is to year on year secure savings from business as usual, to capture a significant efficiency improvement that results in a lower cost base for the in-year and future service delivery. These efficiency savings are getting more and more difficult to identify. The assumption that has been made by the Council is that it should expect the following savings from achieving efficiencies going forward. These are summarised in the table below:

Table 10: Proposed Savings / Income Generated from Efficiencies

Assumed Savings/Income Generated through Efficiencies	**2024/25 Indicative budget saving £'000**	**2025/26 Indicative budget saving £'000**	**2026/27 Indicative budget saving £'000**	**2027/28 Indicative budget saving £'000**	**Total 4 Years Indicative budget saving £'000**
Efficiencies	(335)	(1,412)	0	0	(1,747)
Total	**(335)**	**(1,412)**	**0**	**0**	**(1,747)**

5.6 Raising Income

5.6.1 As described earlier the most significant fiscal lever at present is the Council Tax and the ability now for Councils to adjust this unconditionally means that it is an important tool to address rising costs on a recurring basis so that financial sustainability is also address, in part at least.

5.6.2 A key principle of the MTFS is to exercise the discretion it has over local taxation and increase the Band D charge for Council Tax annually to support future budgets. In the current climate the strategic position to take is to plan for real terms increase in the rate that Council Tax is charged so that the value keeps up with the rising costs that have to be funded. To address a significant budget gap in the future this provides an excellent means of doing so.

5.6.3 Other fees and charges, both internal and external, are valuable sources of funding. The description earlier in the document forecasts the change in the underlying value of the customer base and use of services that are charged, the MTFS does not present the options or assume the value of additional income that can be generated as this is subject to the discretion of the Council. The principle is clear, that the Council must apply its Service Income Policy to support the effective and sustainable delivery of services where charges can be applied and exercise that discretion annually and collect the income that is rightfully owed.

5.6.4 Further insight into the core income streams that the Council relies upon is included in the Financial Resilience Framework, described in Section 6.

5.6.5 Overall financial sustainability is improved where there is income being received to cover costs and that the income is recurring. With the ability to exercise discretion over only on a number of the lower value funding streams from fees and charges (i.e. excluding Council Tax) the Council should do what it can to secure additional revenue annually in support of the budgets.

5.7 Statutory Function Review

5.7.1 Local authorities have a wide variety of duties and powers under Scottish and UK legislation – these are our statutory functions. Most of the services delivered by Councils are statutory functions. A sample of those functions was provided in the report to Council in December 2022[76] for illustrative purposes. It was noted that this is not an exhaustive list - there are many hundreds of duties and powers vested in councils making the task of capturing these considerable.

5.7.2 The purpose and in response to the Medium-Term Financial Strategy, is a review of the Council's main statutory functions by Legal Services, in consultation with Chief Officers. This review seeks to identify opportunities for how these functions could be delivered through alternative mechanisms and not by the Council in other words, transferred, or rearticulated within the relevant legislation to alter the requirement. In either scenario, changes would be required to the law to remove duties and powers from local authorities. There will be income and expenditure implications for Councils but it does not prevent the review establishing what is possible.

5.7.3 At present there are no assumptions or judgements made about the potential financial benefits or costs that may arise from the exercise. It provides an opportunity for shifting the Council, as funding fails to keep up with rising costs.

5.8 Reserves and Fiscal Flexibility

5.8.1 The opportunity to use reserves, while a legitimate funding source, it must always been seen and dealt with as one-off in nature. The Council position on Reserves is included in Section 6.

5.8.2 The emergence of fiscal flexibilities over the last two years, brought on or progressed at pace because of the impact of the pandemic, has provided local government with opportunity to take one-off savings or income streams to assist in managing the financial position. The Council has taken advantage of these in recent years, using capital receipts to support the voluntary severance and early retirement of staff rather

[76] Aberdeen City Council, December 2022, Statutory Function Review COM/22/288

than charge that to revenue budgets; in 2022/23 the Council deferred the repayment of debt principal (or more accurately, it did not have to account for the repayment, thereby meeting legal obligations to repay debt as it falls due while achieving a saving); and finally in 2023/24 the Budget[77] meeting of Council agreed to exercise the final flexibility, the Service Concession.

5.8.3 As stated earlier these are legitimate and appropriate sources of income or achieving savings provided they are treated properly and responsibly. This includes consideration of the benefits that are achieved from a one-off source of funding – it is recommended that a return is received in the form of financial (and non-financial) benefits from what can be classified as investment, spend to save being a well-used term to describe it. Transformation for example will require a level of investment to make the change take effect and an example where the Council has undertaken this has been using a Transformation Fund, where money is committed and drawn down to support technology or skills investment that once purchased delivers a saving or new income stream. In respect of the Service Concession Flexibility, the reserve that was created has funded capital expenditure in the Capital Programme and the remainder is committed to funding the reduction of the workforce, through the Voluntary Severance / Early Retirement Scheme which requires upfront funding for longer term financial benefit.

5.8.4 No other fiscal flexibilities are available for the Council to implement.

5.9 Conclusion

5.9.1 The challenge set out in the MTFS is increasingly significant and increasingly uncertain with the gap in the scenarios growing. The Council will have difficult decisions to make to balance the budget gap over the 5 years, particularly in light of the economic environment, the ongoing and extreme market conditions in which we operate and a reinforcement, through the SG MTFS, that the Scottish Government are not going to, or cannot afford to, provide additional funding to meet the rising cost of services over the medium term.

5.9.2 The solutions come from a mixture of actions. The work that was started 5 years ago through the Target Operating Model entered a new five-year period last year with the ambition to contribute towards the 2022 budget gap, referencing the central scenario outlined in this. The Council needs the Transformation programmes outlined in TOM 1.2 to deliver the savings required in the timeframe and is determined that these programmes of work deliver cashable benefits as outlined above.

[77] Aberdeen City Council, March 2023, General Fund Revenue & Capital Programme 23/24-27/28 RES/23/085

5.9.3 Multi-agency work, through our engagement and working together with partner organisations also provide the opportunities to use resources more effectively across organisations, savings must be delivered from these programmes of work too.

5.9.4 Efficiencies will play an enduring part of managing the budget position and to drive out where efforts can be taken to be more cost effective, productive and efficient in what the Council does, this is across the Council not just a select few.

5.9.5 On a regular and consistent basis the use of the discretion that the Council has to increase income to support the cost base it has should be taken, whether fees and charges, new discretionary powers or Council Tax. Securing income is a fundamental part of making the Council sustainable over the medium to long term.

5.9.6 Finally there is the option to consider how one-off funding streams (that may be available) are applied to the financial position, and care will need to ensure that these finite resources are used to the medium and long term benefit of the Council's financial position, preference being for receiving a clear financial return from investment of one-off funding.

5.9.7 Through a combination of all these mechanisms the Council aims to find the solutions that balance the financial challenges over the next five years.

5.9.8 The net position for the Central Scenario, taking account of the assumptions and judgements about what the transformation programmes and efficiencies will deliver over the next four years provides a revised budget gap as shown in the following table:

Table 11: Central Scenario Forecast from 2024/25 to 2029/30 (Net)

Budget Forecasts - General Fund	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**	**2029/30 £'000**
City Regeneration & Environment	30,235	38,598	43,667	46,152	48,052	49,992
Corporate Services	43,487	44,132	43,151	41,461	43,144	44,890
Familiies & Communities	307,384	324,681	328,710	332,260	338,374	341,152
Integrated Joint Board	121,932	121,932	121,932	121,932	121,932	121,932
Corporate	104,429	102,558	112,712	120,322	126,447	128,162
	607,467	**631,901**	**650,172**	**662,127**	**677,949**	**686,127**
Funded By						
General Revenue Grant	(252,057)	(252,057)	(252,057)	(252,057)	(252,057)	(252,057)
NNDR	(208,113)	(208,113)	(208,113)	(208,113)	(208,113)	(208,113)
Council Tax	(139,727)	(140,850)	(141,393)	(141,937)	(142,480)	(143,023)
Use of Reserves	(7,569)	(2,065)	(4,821)	(5,252)	(5,423)	(5,419)
	(607,467)	**(603,086)**	**(606,385)**	**(607,359)**	**(608,074)**	**(608,613)**
Gap (Cumulative)	**0**	**28,815**	**43,787**	**54,768**	**69,876**	**77,514**

5.9.9 If the values assumed as savings are included in the Upside and Downside Scenarios too then the financial challenge is summarised as follows:

Table 12: Revised MTFS Budget Gap Scenarios (after Savings, above, are applied)

After Assumed Savings	**Forecast 2024/25**	**Forecast 2025/26**	**Forecast 2026/27**	**Forecast 2027/28**	**Forecast 2028/29**	**Forecast 2029/30**
General Fund Budget Gap	**£M**	**£M**	**£M**	**£M**	**£M**	**£M**
Downside Scenario	0	47	88	135	182	223
Central Scenario	**0**	**29**	**44**	**55**	**70**	**78**
Upside Scenario	0	6	13	20	28	34

5.9.10 Given the low likelihood of the Council facing the Upside scenario given all that is described in this report the Central Scenario remains the focus of attention. However recent announcements and the level of financial uncertainty, the changing nature of the financial and economic conditions mean that the Council must be aware of and able to respond to a shift towards the Downside scenario.

5.10 Consultation & Engagement

5.10.1 The Central Scenario will be subject to consultation and engagement in line with the Budget Protocol, approved as part of the Scheme of Governance[78].

5.10.2 Phase 1 of engagement has taken place during the summer, with an online survey tool being deployed to the Council website to gather an understanding of the preferences and priorities of the general public. Scoring and feedback were generally on a scale of

[78] Aberdeen City Council, June 2023, Scheme of Governance Review COM/23/162

High / Medium / Low/ No Impact, with an option for the consultee to provide additional commentary beyond this. Additional in-person and on-line sessions were held in early September to allow questions to be asked of officers and capture further responses. The consultation concluded on 15 September 2024.

5.10.6 The Council collected demographic information that provides an additional level of detail. Some graphs based on the data have been produced in Appendix 4 to represent the information that has been collected. The Council is working on producing additional information to enable comprehensive disclosure of the data received.

5.10.7 In the Autumn the Council will publish the second phase of the consultation and engagement and will give people the chance to explore detailed options for producing a balanced budget, including finding necessary savings and raising income.

5.10.8 The Central Scenario, shown above at 5.9.10 will be the primary focus for the phase 2 consultation exercise, covering the period 2025/26 to 2028/29, however given the level of uncertainty the consultation will look at options that could assist the Council to address the Downside scenario, with for example lower levels of grant funding receivable.

6. RESERVES AND FINANCIAL RESILIENCE FRAMEWORK

Useable Reserves

6.1 Local authorities must consider the level of reserves needed to meet estimated future expenditure when calculating the budget requirement. The Chief Officer - Finance is required, as part of the budget setting process each year, to provide a statement on the adequacy of reserves that is subject to an external audit review to assess value for money and a going concern opinion.

6.2 The Council keeps a level of reserves to protect against the risk of any uncertainties or unforeseen expenditure. This is considered best practice and demonstrates sound financial planning. Much like using savings to offset monthly household bills the use of financial reserves cannot solve a budget problem outright but allows for smoothing of impacts or allows the Council time to ride any short-term situations before returning to normal.

6.3 Therefore, reserves are mainly available to;

- ✓ Manage the impact of cuts over a longer period;
- ✓ Invest in schemes that allow services to be delivered cheaper;
- ✓ Take "one-off hits" for the council as a whole without the need to further reduce service budgets;
- ✓ Provide capacity to absorb any non-achievement of planned budget reductions in each year;
- ✓ To temporarily roll over unused portions of grants that can legally be used at a later date;
- ✓ To insure against major unexpected events (such as flooding);
- ✓ To guard against general risk (such as changes in contingent liabilities);
- ✓ To guard against emergent specific risks (such as Covid-19).

6.4 The likelihood of these risks arising is predicted to continue to increase.

Reserves Statement[79]

6.5 The council's policy on reserves is outlined within the MTFS principles as follows:

- The council will maintain its general reserve at a minimum of £12m to cover any major unforeseen expenditure. The council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the unearmarked General Fund Reserve.
- The council will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed annually.

[79] Council Reserves Statement, March 2024, Report Number 4, Appendix 6

- The council's general reserve is available to support budget setting over the period of the MTFS and usage should be linked to the achievement of financial sustainability over the medium term.

Review of Reserves

6.6 A review of reserves is undertaken twice a year and covers:

- The purpose for which the reserve is held,
- An assessment of the appropriate level of the reserve to meet potential future liabilities, in line with the Council's reserves policy and aligned to the risk management framework,
- Procedures for the reserve's management and control,
- A process and timescale for future reviews to ensure continuing relevance and adequacy.

6.7 The Audited Annual Accounts for 2023/24[80] show the balance of General Fund usable reserves of £94m (including earmarked reserves of £82m).

6.8 An explanation of each earmarked reserve and values as at 31 March 2024 can be found in the council's audited annual accounts for 2023/24.

6.9 For financial resilience the council should consider use, replenishment and increase of the unearmarked General Fund Reserve over the MTFS period.

6.10 The overall level of financial resources available to the council is finite and therefore any continued use of reserves cannot be sustained in the longer term without placing the council's financial position at risk. The MTFS recognises that the council's financial reserves are maintained at a prudent level to protect present and future council services.

6.12 The council accepts that while balancing the annual budget by drawing on general reserves can be in certain circumstances a legitimate short-term option it is not considered good financial management to finance recurrent expenditure in this way. Where this approach is adopted, the council will be explicit as to how such expenditure will be funded in the medium to long term to achieve financial sustainability. The council recognises that usage of reserves is one-off in nature and must be linked with expenditure and income plans to support financial sustainability in the medium term.

Financial Resilience Framework

6.13. **Introduction**

6.14 For Local Authorities generally, the measure of financial resilience has been to rely on in-year contingencies and its Reserves Policy.

[80] Audit, Risk & Scrutiny Committee, June 2024, Audited Annual Accounts 2023/24 (CORS/24/200)

6.15 The Council acknowledged, in the reports to the Urgent Business Committee and City Growth and Resources Committee in 2020, that financial resilience was a crucial aspect of financial management that became more important in times of crises, such as a global pandemic.

6.16 It was recognised that financial resilience was more than about its reserves and there was a need to be more comprehensive in the assessment of the measures of resilience. In the Medium Term Financial Strategy 2020, approved on 28 October 2020 it was agreed that the Council's approach to financial resilience was to be developed further.

6.17 While the Covid-19 pandemic brought a specific focus to the subject, it was not the sole reason for further work. The ongoing national debate on the financial sustainability of the local government sector in Scotland, the increasing number of local authorities in England in recent years that have found themselves in financial difficulty, resulting in Chief Financial Officers having to prepare formal s114 notices.[81]

6.18 There has been greater emphasis from external auditors on the assurance and demonstration of the concept of 'going concern' for local authorities and this being a key area of audit activity now.

6.19 All of this adds up to the need for greater attention to be paid to the financial resilience of the Council and to consider what financial resilience is, how it is defined and measured and what it leads us to do.

6.20 The development of a financial resilience framework to shape the Council's understanding of key aspects of financial strength is the starting point and to define the areas that are most appropriate to consider. Further work will be done to develop this further, to look at the comparators and where this applies, and to consider in more detail the exposure the Council has from its Group entities.

6.21 The framework is developing in terms of the data that we are collecting, and it will continue to be further developed to support our approach to financial resilience.

6.22 **Background**

6.23 The Council has always reviewed and paid attention to its usable reserves, those that it can draw on in a time of need. To this effect the Council has in place its Reserves Policy, which it reviews annually as part of the budget setting process. This is done in the context of assessing the level of reserves needed to meet estimated future expenditure when calculating the budget requirement. The Chief Officer - Finance is required, as part of the budget setting process each year, to provide a statement on

[81] Section 114 notices are the mechanism through which English local authorities report that they are unlikely to achieve a balanced budget for the financial year.

the adequacy of reserves that is subject to an external audit review to assess value for money and a going concern opinion.

6.24 The Council keeps a level of reserves to protect against the risk of any uncertainties or unforeseen expenditure. This is considered best practice and demonstrates sound financial planning. Much like using savings to offset monthly household bills the use of financial reserves cannot solve a budget problem outright but allows for smoothing of impacts or allows the Council time to ride any short-term situations before returning to normal.

6.25 Therefore, reserves are mainly available to;

- ✓ Manage the impact of cuts over a longer period;
- ✓ Invest in schemes that allow services to be delivered at lower cost;
- ✓ Take "one-off hits" for the council as a whole without the need to further reduce service budgets;
- ✓ Provide capacity to absorb any non-achievement of planned budget reductions in each year;
- ✓ To temporarily roll over unused portions of grants that can legally be used at a later date;
- ✓ To insure against major unexpected events (such as flooding);
- ✓ To guard against general risk (such as changes in contingent liabilities);
- ✓ To guard against emergent specific risks (such as a pandemic or financial crisis).

6.26 The Council looks at financial resilience as a much wider subject as it is about our ability to anticipate, prepare for and respond to the changing financial environment, derived from internal decisions and external factors. To be financial resilient, is to know what would be available in the time of crisis, is to understand the exposure to loss of income, and commitment to expenditure, as well as understanding the flexibility the Council has in terms of accessing funds when they are needed.

6.27 In this strategy financial resilience has been broken into the following four areas:

- Review of the Council's Balance Sheet
- Capital financing; investment, and borrowing
- Build financial resilience and independence
- Identify those that should pay by minimising fraud and avoidance

6.28 Maintaining a strong balance sheet provides the assurance that the Council can respond in the time of crisis, it can meet its obligations and provides confidence in the Council's ability to participate with our full range of stakeholders. They include our external auditors, our bond holders, credit rating agency, contractors and suppliers, and ALEOs. Notably the Local Government Benchmarking Framework (LGBF), in the analysis of 2019/20 it started to incorporate financial sustainability information which is of a similar nature. This provides a Scotland wide comparison of some of the key elements that are included in the Council Framework.

6.29 Supporting our resilience in our balance sheet includes:

- In-year financial performance to manage the budget position, including cashflow;
- An annual review of the balance sheet by our treasury advisors, with a focus on capital financing requirement, liquidity and long-term borrowing;
- Regular review of usable reserves and the appropriateness of sums earmarked; and
- Regular review of provisions held.

6.30 Bringing all of this together to provide the information to the Council in a form that it can take account of in its decision making is an important next step. To inform that, further consideration has been given to the LGBF financial sustainability measures, CIPFA Resilience Index that has been prepared with English Local Authorities, Moody's credit rating assessment reports and careful thought about what is important to the resilience of the Council the areas will be refined to be more specific.

6.31 **<u>Framework</u>**

6.32 The framework has the following components:

- Council reserves and liquidity *(the availability of resources)*;
    - Reserves
    - Net Worth
    - Liquidity
    - In this section further work is anticipated regarding the Council exposure to its Group
- Capital financing; investment, and borrowing *(the creation of resources and gearing)*;
    - Capital Finance Requirement
    - Debt
    - Prudential indicators
    - Investment
- Build financial resilience and independence *(the longevity and trends in resources)*;
    - Top income streams
    - Top expenditure commitments
    - Operational Cashflow understanding
    - Exposure to areas of high demand (e.g. Adult and Children Social Care, Education), with consideration also to be given to the proposals for a National Care Service in Scotland
    - In this section further work is anticipated regarding the Council exposure to its Group

- Identify those that should pay by minimising fraud and avoidance *(the security of resources)*.
    - Counter fraud policy and procedure
    - Counter fraud resource
    - National Fraud Initiative
    - Internal and external audit assurance

6.33 The Council's financial resilience framework now sits within this document and has been populated based on the audited annual accounts up to 31 March 2024.

6.34 The framework uses relevant information to measure the Council finances using the Financial Statements and additional information obtained from the Annual Accounts. This provides the data to calculate a consistent set of relevant ratios that are important to measuring the strength and depth of the Council finances.

6.35 The intention is to go further and understand other aspects of the Council's financial position using trend data to consider the impact of history and where possible to look forward based on Council approved plans and strategies. This remains work in progress with resources required to consider fully.

6.36 The relevance and purpose of ratios needs to be carefully considered as they should all have a purpose. The proposal is to avoid simply listing lots of calculations just because they can be calculated, they will have a defined purpose. Examples of the type of ratio that are likely to be included are:

Ratios/Measures	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	
Availability of Resources						
Usable Reserves / Net Revenue inc. HRA (%)	10.8%	16.4%	22.0%	25.0%	23.6%	✓
Usable Reserves - GF / Net Revenue (%)	7.7%	14.2%	15.7%	16.4%	16.7%	✓
Usable Reserves - HRA / HRA Revenue (%)	12.7%	14.3%	14.7%	16.0%	13.5%	✓
Reserves Sustainability Measure	6.6	100.0	100.0	100.0	100.0	✓
Level of Usable Reserves	10.8%	16.4%	22.0%	25.0%	23.6%	✓
Change in Usable Reserves	-31.4%	50.7%	128.5%	159.4%	59.6%	✓
Council Tax Requirement / Net Revenue (%)	26.9%	24.5%	25.5%	25.4%	25.0%	✓
Unallocated Reserves	2.6%	2.5%	2.4%	2.3%	2.1%	✓

Ratios/Measures	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	
Earmarked Reserves	5.1%	11.7%	13.3%	14.1%	14.5%	
Change in Unallocated Reserves (over last 3 years)	5.4%	10.0%	16.1%	0.8%	-2.9%	
Change in HRA Reserves (over last 3 years)	13.3%	24.6%	23.6%	22.7%	-3.6%	
Current Ratio	77.2%	81.6%	63.6%	49.7%	47.1%	
Working Capital	£0k	£0k	£0k	£0k	£0k	
	Creation of Resources & Gearing					
Net Worth / Net Direct & Indirect Debt (%)	88.1%	101.8%	101.9%	97.4%	78.3%	
Net Direct & Indirect Debt / Net Revenue inc. HRA (%)	247.6%	228.9%	235.8%	248.2%	256.7%	
Capital Financing Requirement / Total Gross Income (%)	119.7%	115.8%	121.9%	142.2%	127.9%	
Short-Term Direct Debt / Direct Debt (%)	16.9%	18.8%	17.6%	22.4%	26.3%	
Interest Payments - GF / Net Revenue (%)	10.0%	7.9%	8.5%	9.7%	10.6%	
Interest Payments - HRA / HRA Revenue (%)	7.4%	5.7%	6.5%	10.0%	13.3%	
Interest Payments / Net Revenue inc. HRA (%)	9.6%	7.5%	8.1%	9.7%	11.1%	
Net Worth	£1,216m	£1,413m	£1,461m	£1,501m	£1,350m	
Gross External Debt	£1,380m	£1,388m	£1,434m	£1,542m	£1,723m	
	Longevity & Trends in Resources					
Adult Social Care Ratio	19.6%	18.7%*	20.9%	23.4%	21.4%	
Children Social Care Ratio	10.4%	8.7%*	8.7%	n/a	n/a	
Education Ratio	39.0%	36.5%*	35.9%	n/a	n/a	
	*** Note:** 2020/21 figures show the impact of increased government funding to support the Covid-19 pandemic, which means that Net Revenue for the year was increased beyond the approved Local Government financial settlement, money was received late in the financial					

Ratios/Measures	2019/20	2020/21	2021/22	2022/23	2023/24	
	year and remained unspent at 31 March 2021, also resulting in increased useable reserves. This should be considered when reviewing the indicators – 2020/21 was not a regular year.					

6.37 The data on income and expenditure trends has been taken from audited Annual Accounts, budgets, CIPFA and Scottish Government returns, the contracts register and Scottish Government finance circulars.

6.38 For the purposes of materiality and relevance, we have focused on the highest value ‘top 20’ income streams and expenditure commitments that the Council has (Appendix 1).

6.39 Security of resources will rely on the three lines of defence in the Risk Assurance Maps, including findings and the opinion of internal and external auditors.

6.40 **Using the Financial Resilience Framework**

6.41 Financial resilience ratios, trends and data collated to support a comprehensive view of the Council is not about there being one answer, nor is about a statement of right or wrong. Instead, it is about providing context for decision making and planning. Through understanding other aspects of Council finance, it’s expected the Council can consider more than simply balancing the budget. This might include decisions to grow reserves or address an adverse trend in expenditure commitments or reduce borrowing. This will assist the Council to be well informed and can make the choices it is entitled to make.

6.42 Councils have a very long history and decisions have been taken at different times for different reasons both at a local and national government level that leaves each Council today in the situation it is. Therefore, every Council is in a different position, no two Councils will have experienced the same history and it is inevitable the financial resilience of all will be different.

6.43 The financial resilience framework is be used as the basis for understanding the underlying financial position of the Council, from which decisions must be taken, to provide the basis for highlighting where action is required or where it should be considered. The opportunity to get an insight into aspects of Council finance that may only emerge over time and that on an annual cycle could be overlooked or not given sufficient consideration.

6.44 Some ratios having a direct impact on the short-term financial planning of the Council, while other being considered with aspiration and objectives stretching out over the medium to long term.

6.45 The data can act as triggers for action, with the final chosen ratios, where appropriate, to have in place some parameters to define or describe the urgency, scale and pace of action that is required. As the information accumulates then it can act as an early warning of emerging pressures.

6.46 Interpretation of the data has been indicated in the table at 6.36 and if the ratio appears to be stable or improving or if we should be watching it .

Chief Officer – Finance : Summary

6.47 In relation to the "Availability of Resources" indicators there is an unnatural financial position created by the funding provided to support the Covid-19 pandemic as at the end of March 2021. Increased income was paid late in financial year 2020/21, resulting in large sums of funding being carried forward by the Council and this was replicated in all other Scottish Local Authorities. The indicators do show that the Council has maintained its strong reserves position going into subsequent financial years with healthy values of usable reserves and an appropriate sum uncommitted for specific purposes. Rising reserves in 2021/22 and again late funding in respect of resettlement programmes for Ukrainians in 2022/23 pushed reserves further upwards, as did a revaluation of long term investments and a recategorization of capital grants, which are all committed for future projects. Working capital values and the standard affordability test don't present what would be seen as an ideal position (i.e. under 100%) but given the Council's statutory position and treasury management strategy there are no concerns about being unable to meet short-term obligations.

6.48 The Council has maintained strong financial performance into 2024/25 and based on the assumptions within the Quarter 1 Financial Performance results, referred to earlier, the Council aims to maintain a balanced budget although this relies on continued delivery of the budgeted savings and no exposure to additional financial shocks or liabilities. At present use of earmarked reserves is limited to the purposes they are held for and the Council continues to hold uncommitted usable reserves, which it expected to be retained at the end of the financial year.

6.49 The 'Creation of Resources & Gearing" indicators show the cost of capital investment tracking upwards, with the cost of interest on both the General Fund and HRA borrowing now over 10% of net revenue. Upward pressure has also been applied from the higher inflation levels in the last two years and this applying to financing arrangement such as the Bond where the additional cost, alongside rising interest rates has the effect of increasing the future Loans Fund pooled interest rate. This is important as this underpins the calculation of changes that the General Fund and HRA will have to fund in the future. The means of reducing this would be through reducing expenditure (reducing the capital programmes) increasing external grant funding or contributions from partners. The Council has applied all the most recent accounting policy options in respect of the capital financing costs and prudently extending the useful lives of assets to better reflect the actual consumption of the assets a few years ago.

6.50 The value of total external debt must be viewed in the context of the overall assets and resources of the Council as debt arises from investment in our assets. The Net Worth of the Council, after accounting for the debt owed, has reduced to £1.35bn at 31 March 2024. The value of debt has increased over the years in line with the capital programme decisions that have been made for both General Fund and Housing. Through reference to the approved Prudential Indicators, that accompanied the 2024/25 budget in March 2024, the capital financing requirement (CFR, as referenced in section 4) is planned to increase and there will be corresponding increases to the annual repayment values. These have been included in the financial scenario planning within this strategy. Rising interest rates have also been factored into forward projections in the MTFS for the cost of financing debt however the cost of borrowing is continuing to increase and inflation impacts approximately 25% of the external debt, the remaining 75% being based on fixed interest agreements.

6.51 The longevity and trends in resources is the least developed currently, and while there is information available it requires further analysis before fully presenting it. That includes the schedule of most valuable income streams and highest value contractual obligations and have been updated to show 2023/24 as the base year. These are shown in Appendix 1.

6.53 An overview of the top 20 income streams shows a picture of generally increasing income on major areas of the budget. Notable however is the extent to which high value income is often associated directly with spend on specific functions and obligations, such as Housing Benefit (where the downward trend is to be expected due to the rollout of Universal Credit), and the Aberdeen Roads Ltd Contract payment, which matches the expenditure also incurred.

6.54 General Revenue Grant shows the impact of additional funding being provide and passported to the Health and Social Care Partnership through the financial settlement and direction of Scottish Government. There has also been funding to support pay awards now for the last two years and this is making a difference. None of this represents an underlying increase in funding for core/current services making the analysis complex. Council Tax increases in recent years was showing as a positive development, however the acceptance of the Council Tax freeze grant provided by Scottish Government for 2024/25 will shift the emphasis further towards reliance on Revenue Grant Funding to support services.

6.55 Over the 20 categories of income it represents over £850m of income to deliver the gross cost of Council services amounting to approximately £900m, or 94% showing how much the Council relies on these very specific funding streams.

6.56 Looking at the expenditure table, there is substantial fixed cost associated with the top 20 commitments, determined and influenced by national conditions, contractual obligations and statutory duties. Representing over £730m of expenditure it demonstrates the categories of spend that need to be influenced and changed to support major resource changes, savings and cost reductions.

6.57 As noted above there are many of these expenditure categories or contracts that need to be looked at as cost neutral as the income is funding the delivery of our services. The Council should continue to ensure that is the case and not commit additional expenditure/cost to these fully funded areas of spend.

6.58 Similar to the income the influence of potential change coming in the future from statutory or policy changes and review is an important factor, and the Council should use this as a means of determining how cost reduction can be incorporated alongside the changes.

6.59 **Future development**

6.60 As referred to above, the Council has group entities that are incorporated into its accounts and therefore holds risk and reward from the relationships that it has. Given the cost of living, inflation and supply chain challenges plus the legacy impact of the pandemic on the group entities, to work with them and analyse their balance sheets and income and expenditure sensitivities, will be an important next step in understanding the relevant exposure that the Council has to each and to document this in an appropriate way. Prioritisation of this work is required when resources allow. This is more important as the resources and demand for social care services continue to be under increased pressure and financial constraint.

6.62 The ambition is that with further development and engagement with stakeholders in Scotland this can become more meaningful. Work already published in the Local Government Benchmarking Framework (LGBF) from 2019/20 onwards shows the extent of variation in respect of some of the key indicators that support sustainability and care needs to be taken in interpreting the results, particularly differences between Councils where, for example, some no longer have Housing Revenue Accounts.

6.63 Further work will have to be done on appropriate comparison with other Councils to set the Aberdeen City data in context, rather than for direct comparison, as each Council is following a different strategic plan and are at different stages in those plans and by using information from a common data set, prepared using the same accounting standards it gives the opportunity to compare the Council with its peers. Taking this forward, our Framework has been shared with the Director of Finance Section for Scottish Local Government and has been added to their work plan. Conclusions and recommendations from that work will be updated as part of future strategies.

APPENDIX 1 : TOP 20 INCOME AND EXPENDITURE CATEGORIES

	Top 20 Revenue Income Sources by Value 2023/24 Title	Type of Income	2023/24 Actual Value £'000	last 3-year change (21/22) £'000	last 5-year change (19/20) £'000	Continues for at least 5 years?	Subject to regulation/ policy change in next 2 years?	Dependencies
1	GRG + NDR Distribution	Non-Specific Grant	424,275	48,255	90,005	Yes	Yes	Barclay review - Spending Review
2	Council Tax	Fiscal Powers	141,475	13,074	18,658	Yes	Yes	SG / LG Fiscal Framework Outcomes
3	Building Services	Fees & Charges	56,556	17,539	25,682	Yes	No	HRA work programme
4	AWPR / Aberdeen Roads Ltd	Specific Grant	44,301	(10)	(65,396)	Yes	No	Contract terms and conditions
5	Housing Benefit	Specific Grant	38,066	(3,311)	(10,664)	Yes	No	Universal Credit & Economic Conditions
6	NHS Grampian	Specific Grant	37,869	(7,848)	915	No	Yes	NCS (Scotland) Bill
7	Property Letting	Fees & Charges	21,730	5,586	7,018	Yes	Yes	Economic conditions in Aberdeen
8	ELC Expansion	Specific Grant	19,935	(7,613)	14,067	No	Yes	To become part of general settlement
9	Aberdeenshire Council Charges	Fees & Charges	14,282	(6,938)	(14,390)	Yes	No	Capital programmes
10	Capital cluster - General Fund Capital	Fees & Charges	11,387	(7,436)	(16,546)	Yes	No	Capital programmes
11	Adult Social Care Residential	Fees & Charges	11,051	1,867	(245)	No	Yes	NCS (Scotland) Bill
12	Parking Charges/Fines	Fees & Charges	9,326	3,193	1,424	Yes	No	Customer behaviour
13	Capital cluster - Housing Capital	Fees & Charges	6,163	3,891	3,023	Yes	No	Capital programmes
14	Common Good Charges	Fees & Charges	4,055	2,434	(190)	Yes	Yes	Council review of Common Good
15	Moray Council Charges	Fees & Charges	3,878	(2,033)	(3,109)	Yes	No	Capital programmes
16	NESPF Charges	Fees & Charges	2,293	482	698	Yes	Unknown	National LGPS Review in Scotland remains a commitment
17	Planning / Building Control Fees	Fees & Charges	2,200	(49)	(453)	Yes	Yes	Statutory basis, resourcing consultation summer 2024
18	Bereavement Services Fees	Fees & Charges	2,014	219	191	Yes	No	Competition
19	Garden Waste Charges	Fees & Charges	1,102	(15)	489	No	Yes	Charges reviewed by Council at Budget 2024
20	Ukrainian Integrated Support	Specific Grant	786	786	786	No	Yes	No of Ukrainian refugees
			852,744	62,073	51,963			

APPENDIX 1 : TOP 20 INCOME AND EXPENDITURE CATEGORIES (cont.)

	Top 20 Revenue Expenditure Commitments by Value 2023/24 Title	Type of Expenditure	2023/24 Actual Value £'000	last 3-year change (21/22) £'000	last 5-year change (19/20) £'000	Continues for at least 5 years?	Subject to regulation/ policy change in next 2 years?	Dependencies
1	Pay bill - non teachers	Staff	231,198	37,217	44,961	Yes	No	Local Terms & Conditions & National pay negotiations NCS (Scotland) Bill
2	Pay bill - teachers	Staff	123,321	20,997	31,939	Yes	No	National Terms & Conditions & pay negotiations
3	Care Home Placement - Adults	Contracts	65,472	16,798	18,855	No	Yes	NCS (Scotland) Bill
4	Capital Financing Costs	Capital Financing	53,636	15,510	18,141	Yes	Yes	Capital programme
5	AWPR / Aberdeen Roads Ltd	Contracts	44,301	(10)	(65,396)	Yes	No	Contract terms and conditions
6	Housing Benefits	Transfer	41,122	(970)	(8,786)	Yes	No	Universal Credit & Economic Conditions
7	Bon Accord Care - ALEO	Contracts	34,637	282	4,258	No	Yes	NCS (Scotland) Bill
8	Waste Disposal Contracts	Contracts	23,464	7,577	7,694	No	Yes	Contract terms and conditions
9	Unitary Charge - Schools	Assets	21,948	2,391	2,722	Yes	No	Inflation & Number of Buildings
10	Utilities	Assets	21,523	9,919	9,847	Yes	No	Inflation
11	Care Home Placement - Children	Contracts	14,083	1,771	3,843	No	Yes	NCS (Scotland) Bill
12	Non-domestic Rates	Assets	13,376	986	1,245	Yes	Yes	Number & Value of Buildings
13	External Rents	Assets	8,915	3,094	1,998	Yes	No	Contract terms and conditions
14	Fostering Payments - External	Contracts	8,191	(1,434)	(2,222)	No	Yes	NCS (Scotland) Bill
15	ELC Provider Payments	Contracts	7,738	(2,502)	3,947	Yes	Unknown	Living Wage & sustainable rate
16	Software Licences	Contracts	7,273	2,505	3,885	Yes	No	Inflation
17	Hire of Vehicles	Contracts	4,909	320	105	Yes	Yes	Number of Employees
18	Sport Aberdeen - ALEO	Contracts	3,852	(1,043)	(267)	Yes	No	Budget decisions
19	Homeless - Hotel & B&B Charges	contracts	3,263	3,180	3,042	Yes	No	Rapid Re-housing programme
20	Provision for Bad Debt	Contracts	2,758	(252)	1,793	Yes	No	Collection levels
			734,981	116,334	81,605			

APPENDIX 2 : 2024 GENERAL FUND CAPITAL PROGRAMME

Forecast Outturn 2023/24 £'000	NHCP No.	Updated General Fund Capital Programme	Budget 2024/25 £'000	Budget 2025/26 £'000	Budget 2026/27 £'000	Budget 2027/28 £'000	Budget 2028/29 £'000	5 Year Total £'000
		Projects Due for Completion in 2023/24						
0	807	A96 Park & Choose / Dyce Drive Link Road	0	0	0	0	0	**0**
488	809	New Milltimber Primary	0	0	0	0	0	**0**
0	848	JIVE (Hydrogen Buses Phase 2)	0	0	0	0	0	**0**
5,557	886	Bus Prioritisation Fund	0	0	0	0	0	**0**
398	888	Nature Restoration Fund	0	0	0	0	0	**0**
49	893	RFID Communal Bin Tag System	0	0	0	0	0	**0**
18	898	King's Gate & Forest Road Pedestrian Crossings	0	0	0	0	0	**0**
28	899	Lighting in St Nicholas Kirkyard	0	0	0	0	0	**0**
19	901	Upgrade of Paths in Newburgh Estate	0	0	0	0	0	**0**
3	903	Investment in Chapel Street Car Park	0	0	0	0	0	**0**
30	905	Gaist Footway Survey	0	0	0	0	0	**0**
900	906	Waste : Sclattie Segregation Bays	0	0	0	0	0	**0**
40	942	Webcasting of Committee Meetings	0	0	0	0	0	**0**
309	950	School Aged Childcare	0	0	0	0	0	**0**
7,839			**0**	**0**	**0**	**0**	**0**	**0**
		Rolling Programmes						
8,867	294	Corporate Property Condition & Suitability	9,212	8,785	8,295	8,000	8,000	**42,292**
1,685	551	Cycling Walking Safer Streets	986	0	0	0	0	**986**
1,335	765G	Nestrans Capital Grant	1,000	1,000	1,000	1,000	1,000	**5,000**
754	779	Private Sector Housing Grant (PSHG)	550	600	600	600	600	**2,950**
4,500	784	Fleet Replacement Programme	6,000	6,000	6,000	5,911	4,500	**28,411**
5,000	789	Planned Renewal & Replacement of Roads Infrastructure	5,738	5,486	5,336	4,452	4,000	**25,012**
1,871	789E	Street Lighting	1,000	1,000	800	800	800	**4,400**
4,055	861	Additional Investment in Roads	3,000	4,500	4,500	4,500	4,500	**21,000**
3,901	875	Investment in Digital Transformation	4,500	1,300	1,300	0	0	**7,100**
31,968			**31,986**	**28,671**	**27,831**	**25,263**	**23,400**	**137,151**
		City Region Deal						
(0)	825	City Deal	20	0	0	0	0	**20**
0	845	City Deal: Strategic Transport Appraisal	910	0	0	0	0	**910**
194	847	City Deal: Digital Infrastructure	1,500	0	0	0	0	**1,500**
494	852	City Deal: City Duct Network	1,900	0	0	0	0	**1,900**
1,000	854	City Deal: Transportation Links to Bay of Nigg	3,360	9,119	8,750	2,000	0	**23,229**
27	862	City Deal: Digital Lead	82	0	0	0	0	**82**
500	909	City Deal: Wellington Road	0	0	0	0	0	**0**
2,214			**7,772**	**9,119**	**8,750**	**2,000**	**0**	**27,641**
		Fully Legally Committed Projects						
57	587	Access from the North / 3rd Don Crossing	760	0	0	0	0	**760**
0	806A	South College Street (Phase 1)	484	0	0	0	0	**484**
8,670	810K	Energy from Waste (EfW) Construction	4,500	0	0	0	0	**4,500**
5,647	810K	Torry Heat Network	0	0	0	0	0	**0**
(0)	819	Tillydrone Community Hub	479	0	0	0	0	**479**
1,642	824	City Centre Regeneration	3,722	0	0	0	0	**3,722**
0	828	Greenbrae Primary Extension and Internal Works	82	0	0	0	0	**82**
(0)	831	Stoneywood Primary	489	0	0	0	0	**489**
12,000	840	Tillydrone Primary School	16,400	500	0	0	0	**16,900**
10,372	841	Greyhope School and Hub	351	0	0	0	0	**351**
698	855	Early Learning & Childcare	0	0	0	0	0	**0**
1	859	ICT: Human Capital Management System	92	0	0	0	0	**92**
206	865	Countesswells Primary	0	0	0	0	0	**0**
443	871	Low Emissions Zone	0	0	0	0	0	**0**
0	878	St Peters RC Primary Relocation (Design Development)	410	0	0	0	0	**410**
787	884	Torry Development Trust - Former Victoria Road School	622	0	0	0	0	**622**
493	885	Place Based Investment Fund	0	0	0	0	0	**0**
(0)	889	CO2 Monitors	124	0	0	0	0	**124**
582	890	Dyce Library Relocation	0	0	0	0	0	**0**
9,980	894	Joint Integrated Mortuary	19,100	0	0	0	0	**19,100**
649	896	Bucksburn Academy Extension (temporary solution)	0	0	0	0	0	**0**
490	949	Tillydrone Cruyff Court	35	0	0	0	0	**35**
2,143	998	Final Retentions & Snagging	6,386	0	0	0	0	**6,386**
54,859			**54,036**	**500**	**0**	**0**	**0**	**54,536**
		Partially Legally Committed Projects						
876	791	Strategic Land Acquisition	2,000	2,000	0	0	0	**4,000**
663	806B	CATI - Berryden Corridor (Combined Stages 1, 2 & 3)	2,800	3,475	12,275	12,273	1,487	**32,310**
10	806D	Berryden Corridor - Ashgrove Connects	965	840	0	0	0	**1,805**
0	808B	New Academy to the South - Infrastructure Improvements	280	0	0	0	0	**280**
10	810J	Bridge of Don Household Waste Recycling Centre (HWRC)	3,000	1,159	110	0	0	**4,269**

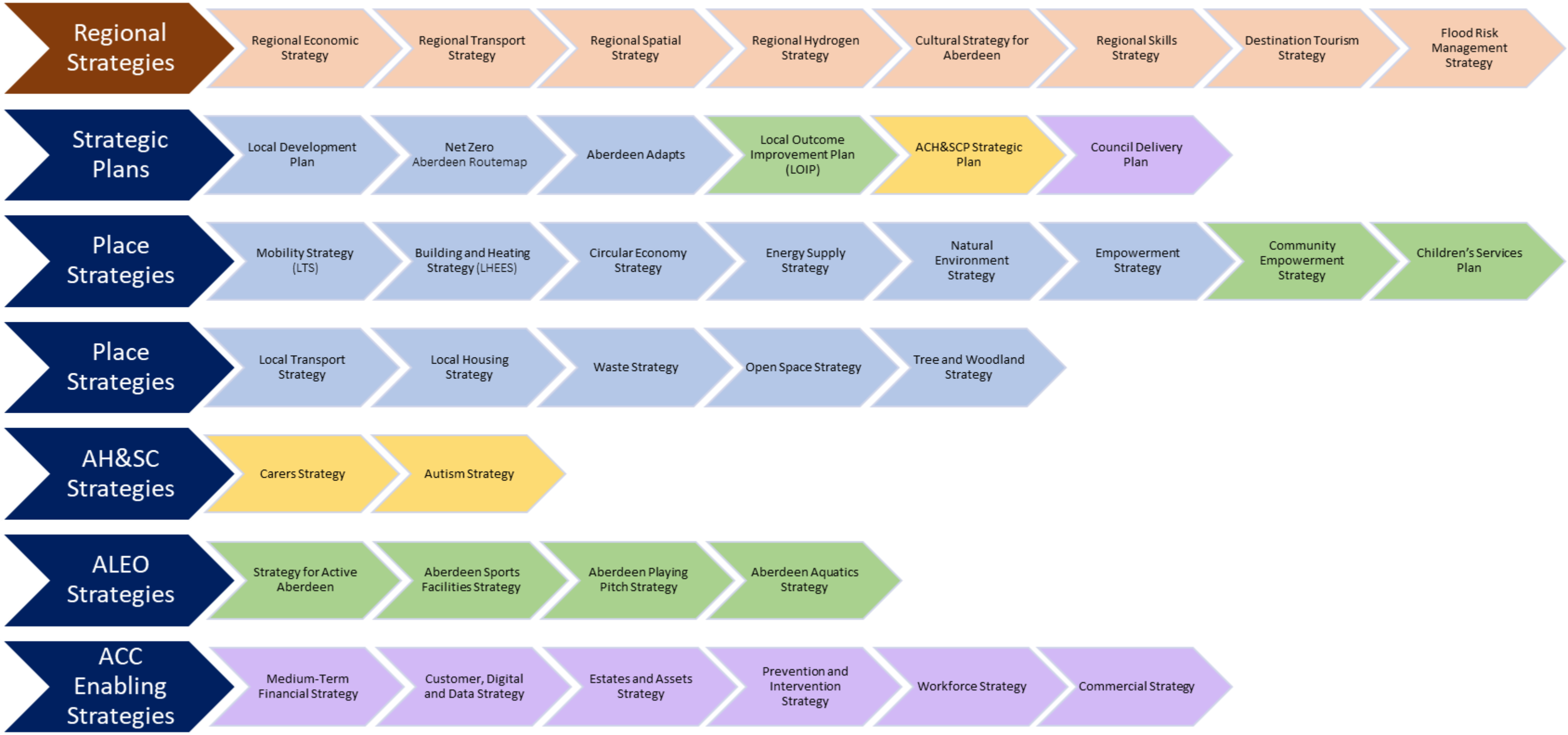
(0)	820	Investment in Tenanted Non-Residential Property Portfolio	865	0	0	0	0	**865**
0	836	Flood Prevention Measures: Flood Guards Grant Scheme	100	100	100	100	58	**458**
0	844	Sustrans Active Travel Infrastructure Fund	400	465	0	0	0	**865**
170	868	Car Parking Infrastructure	1,000	0	0	0	0	**1,000**
100	869	Safety and Security Measures (including CCTV)	942	0	0	0	0	**942**
0	872	Smart City	270	0	0	0	0	**270**
150	873	Queen Street Redevelopment (Phase 1) - Urban Park	3,311	7,500	6,000	0	0	**16,811**
61	874	B999 Shielhill Road Junction Improvements	100	510	0	0	0	**610**
2,000	881	Hydrogen Programme	11,810	0	0	0	0	**11,810**
1,701	883A	City Centre and Beach Masterplans: Market Redevelopment	20,674	12,950	5,000	0	0	**38,624**
800	883B	City Centre and Beach Masterplans: Union Street Central	10,354	6,569	2,000	0	0	**18,923**
4,783	883C	City Centre and Beach Masterplans: Beachfront	37,160	19,641	5,000	0	0	**61,801**
2,275	883D	City Centre and Beach Masterplans: Other Projects & Grants	7,812	10,840	3,000	0	0	**21,652**
302	887	Play Park Renewal Programme	639	932	0	0	0	**1,571**
1,975	891	Aberdeen Hydrogen Hub (Joint Venture with bp)	11,088	4,500	0	0	0	**15,588**
50	892	Defibrillators	0	0	0	0	0	**0**
0	895	St Peters RC Primary Relocation	1,668	17,014	7,945	0	0	**26,627**
0	904	Photovoltaic Systems	300	300	0	0	0	**600**
285	907	School Estate Plan - Fesibility Studies	293	0	0	0	0	**293**
500	908	Expansion of Free School Meals	2,727	0	0	0	0	**2,727**
62	911	A5 - Review signage in all schools	62	0	0	0	0	**62**
55	918	H3 - Ferryhill School Suitability Improvements	580	12000	4,300	220	0	**17,100**
3,050	920	HH2 - Hazlehead / Countesswells Secondary Provision	2,717	18,457	42,051	43,258	14,926	**121,409**
406	930	Road Safety Fund	250	200	200	200	0	**850**
130	931	New Cycle Lockers	10	10	10	10	0	**40**
70	933	Installation of New Bus Shelters	214	142	142	142	0	**640**
500	935	Electric Vehicle Charging Network	1,810	3,000	3,000	3,000	0	**10,810**
150	937	Extend Aberdeen's district heating network - Market Street Link	6,000	16,480	5,960	5,950	0	**34,390**
3,000	939	Investment in Education ICT	6,300	2,800	2,800	2,800	0	**14,700**
121	940	Bairns Hoose Business Case	1,629	1,250	0	0	0	**2,879**
0	943	Union Street Empty Shop Units	800	200	0	0	0	**1,000**
500	944	Asset Rationalisation - Site Preparation & Clearance	3,500	1,300	0	0	0	**4,800**
0	948	CCMP Phase 3: Schoolhill and Upperkirkgate	0	0	1,000	3,000	10,000	**14,000**
25	951	Denburn Restoration	0	0	0	0	0	**0**
150	952	Coastal Change Adaption Grant	60	0	0	0	0	**60**
24,931			**144,490**	**144,634**	**100,893**	**70,953**	**26,471**	**487,441**
		Projects with indicative budgets						
0	838	Flood Prevention Measures: Millside & Paddock Peterculter	800	1,600	0	0	0	**2,400**
250	910	Inchgarth Community Centre	1,515	750	0	0	0	**2,265**
0	912	AG1 - Aberdeen Grammar School increasing roll	0	150	0	0	0	**150**
0	913	B1 - Bucksburn Academy Extension	2,164	11,100	7,702	269	0	**21,235**
0	914	B2 - Bucksburn / Newhills additional primary school	0	0	0	0	1,795	**1,795**
0	915	CA1 - Victorian School Buildings	400	0	0	0	1,000	**1,400**
0	916	H1 - Rubislaw & Harlaw Rd Sportsfields review	1,500	0	0	0	0	**1,500**
0	917	H2 School Estate Plan and Improvements	750	4,000	2,000	350	0	**7,100**
0	919	HH1 Countesswells 2nd new Primary School	0	0	0	0	1,795	**1,795**
0	921	L1 - Loirston Loch additional primary provision	0	0	0	0	0	**0**
0	922	N2 - Northfield ASG Primary School Excess Capacity	0	0	500	0	0	**500**
0	923	NA1 - Grandhome / Oldmachar / Bridge of Don secondary provision	0	0	0	0	0	**0**
0	924	O1 - Grandhome additional primary schools	0	0	0	1,795	8,100	**9,895**
0	925	O3 - Oldmachar ASG Primary School Excess Capacity	0	0	500	0	0	**500**
0	926	RC2 - Denominational Primary Schools Feasibility	0	500	0	0	5,000	**5,500**
0	927	S3 - St Machar Academy outdoor space improvements	800	700	0	0	0	**1,500**
0	928	NA2 - Bucksburn & Dyce secondary provision	0	0	0	0	500	**500**
0	929	N1 - Westpark & Heathryburn Schools increasing rolls	0	0	0	0	0	**0**
0	932	Expansion of mandatory 20mph limits in residential areas	400	400	400	400	400	**2,000**
0	934	Options for New River Dee foot and cycle bridge	0	0	0	0	0	**0**
50	936	Kittybrewster Feasibility and Condition Suitability	2,950	0	0	0	0	**2,950**
0	938	Play Park Maintenance and Investment	0	0	175	175	175	**525**
0	941	Burial Grounds	0	1,850	0	0	0	**1,850**
0	945	Great Western Community Trust - Holburn West Church Grant	250	0	0	0	0	**250**
0	946	Net Zero Adaptations - Public Buildings - Feasibilities	0	0	0	0	0	**0**
75	947A	Council Climate Plan Local Heat and Energy Efficiency Strategy	75	0	0	0	0	**75**
300	947B	Council Climate Plan Feasibility studies for net zero	300	300	300	300	0	**1,200**
60	947C	Council Climate Plan Increase natural grassland and wildflowers	0	0	0	0	0	**0**
50	947D	Council Climate Plan Community run greenspaces	0	0	0	0	0	**0**

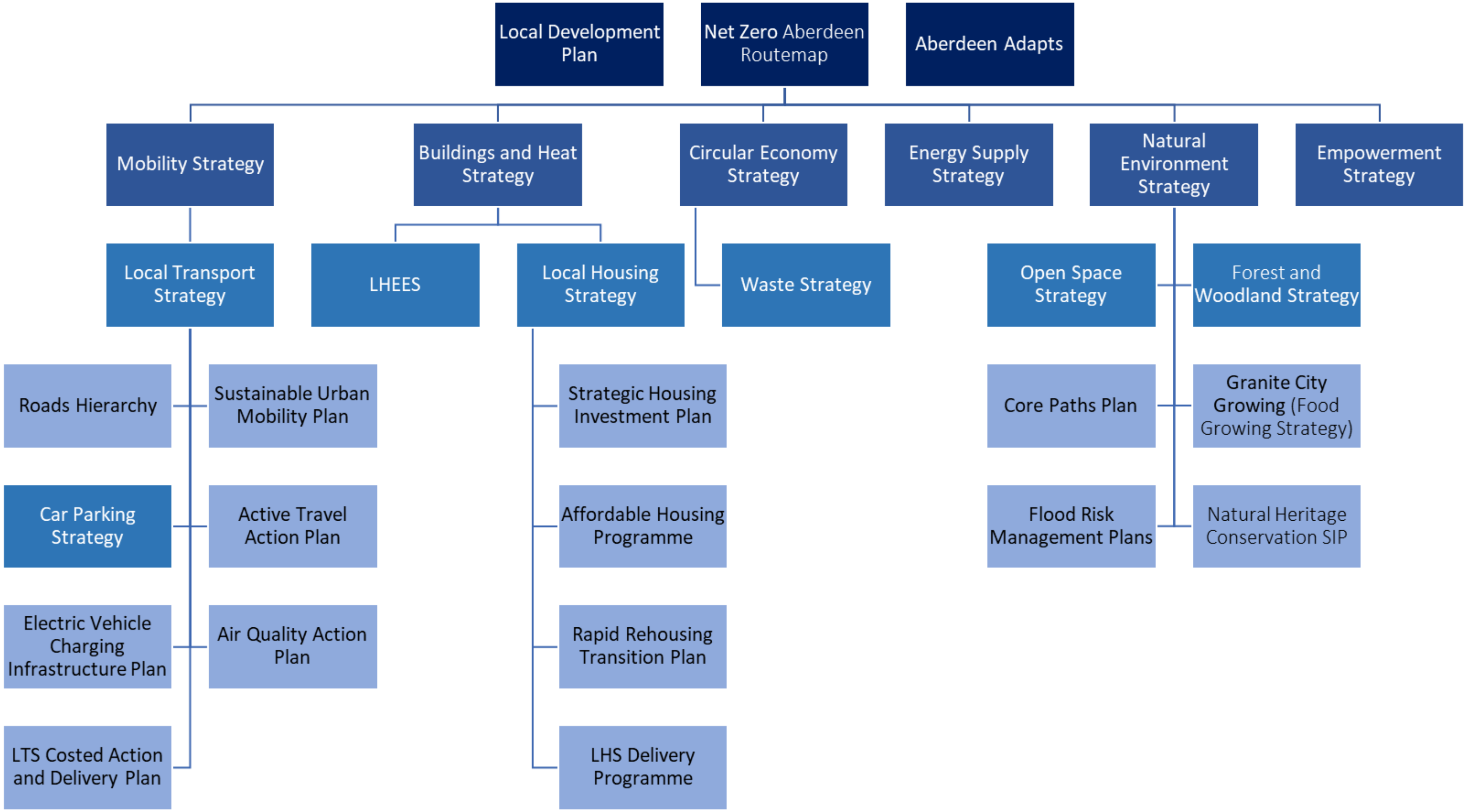
100	947E	Council Climate Plan Increase food growing	0	0	0	0	0	**0**
100	947F	Council Climate Plan Redesign Car Club	0	0	0	0	0	**0**
100	947G	Council Climate Plan Climate Data Tool	0	0	0	0	0	**0**
4	953	Community Bus Fund	0	0	0	0	0	**0**
0	954	Bucksburn Pool Refurbishment	1,000	0	0	0	0	**1,000**
0	883E	CCMP Phase 4: Castlegate	1,000	2,000	6,000	6,500	0	**15,500**
0	883F	CCMP Phase 4: Union Street East & Justice Street	0	0	0	0	13,000	**13,000**
0	883G	CCMP Phase 5: Union Street West and West End	0	0	0	0	0	**0**
0	883H	CCMP Phase 6: Market Street to Guild Street Phases 2 & 3	0	0	0	0	0	**0**
0	883J	Beach MasterPlan Phases B & C up to end of RIBA 4	0	0	0	0	0	**0**
0	955	Aberdeen City Heritage Trust	150	150	150	0	0	**450**
0	999	Contingency	1,390	4,500	4,790	0	0	**10,680**
1,089			**15,444**	**28,000**	**22,517**	**9,789**	**31,765**	**107,515**
122,900		**Totals**	**253,728**	**210,924**	**159,991**	**108,005**	**81,636**	**814,284**

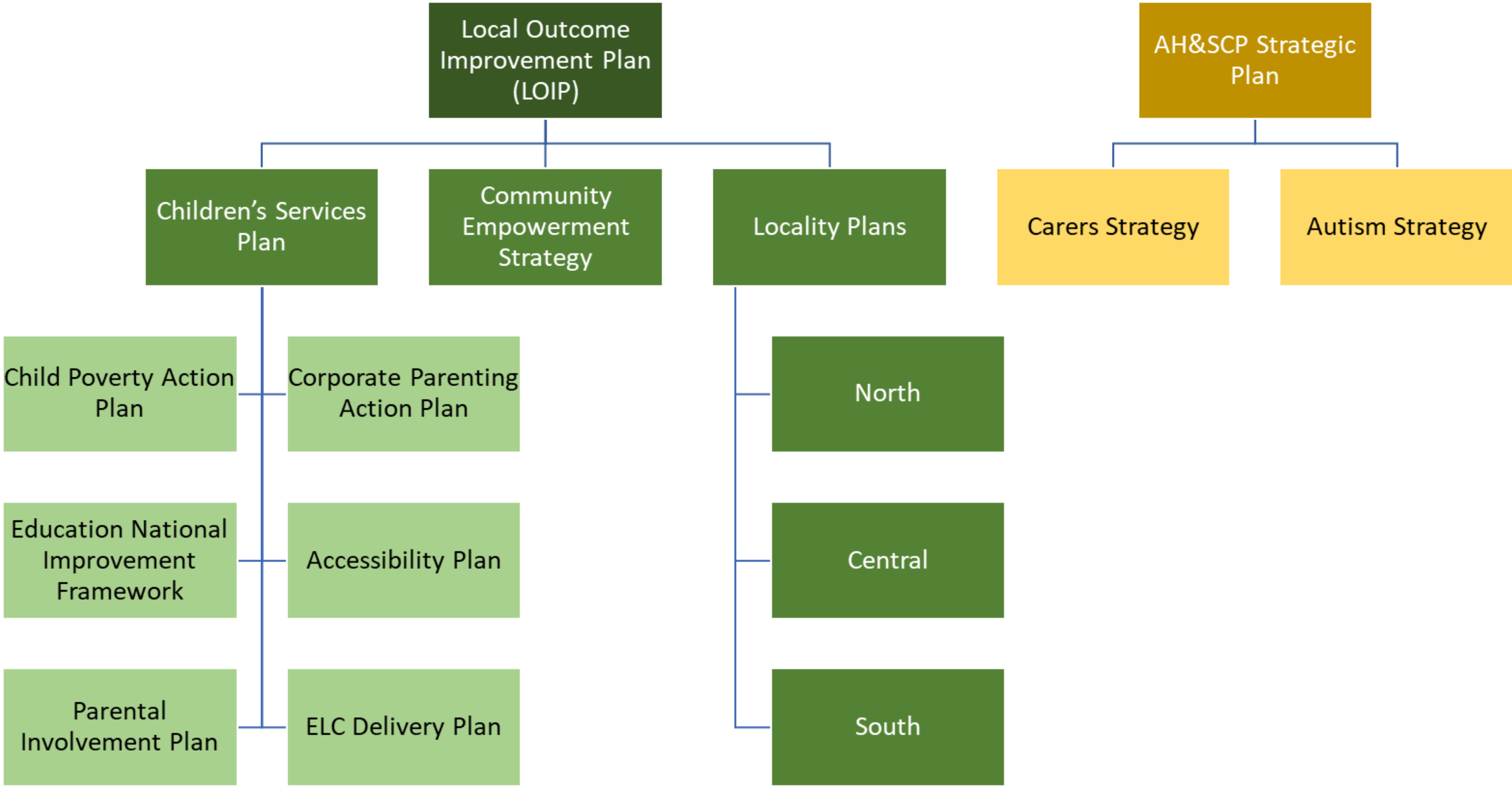
Forecast Outturn 2023/24 £'000	**NHCP No.**	**General Fund Capital Programme - Funding**	**Budget 2024/25 £'000**	**Budget 2025/26 £'000**	**Budget 2026/27 £'000**	**Budget 2027/28 £'000**	**Budget 2027/28 £'000**	**5 Year Total £'000**
(295)	294	Corporate Property Condition & Suitability	0	0	0	0	0	**0**
(1,685)	551	Cycling Walking Safer Streets	(986)	0	0	0	0	**(986)**
0	587	Access from the North / 3rd Don Crossing	(2,000)	0	0	0	0	**(2,000)**
(6)	789	Planned Renewal & Replacement of Roads Infrastructure	0	0	0	0	0	**0**
(10)	806D	Berryden Corridor - Ashgrove Connects	(965)	(840)	0	0	0	**(1,805)**
(0)	809	New Milltimber Primary	(1,632)	0	0	0	0	**(1,632)**
(672)	810K	Energy from Waste (EfW) Construction & Torry Heat Network	(530)	0	0	0	0	**(530)**
0	828	Greenbrae Primary Extension and Internal Works	(115)	0	0	0	0	**(115)**
0	831	Stoneywood Primary	(3,408)	0	0	0	0	**(3,408)**
0	836	Flood Prevention Measures: Flood Guards Grant Scheme	(80)	(80)	(80)	(80)	(46)	**(366)**
0	838	Flood Prevention Measures - Peterculter	(800)	(1,600)	0	0	0	**(2,400)**
(494)	852	City Deal: City Duct Network	(1,900)	0	0	0	0	**(1,900)**
(1,000)	854	City Deal: Transportation Links to Bay of Nigg	(3,360)	(9,119)	(8,750)	(2,000)	0	**(23,229)**
(27)	862	City Deal: Digital Lead	(82)	0	0	0	0	**(82)**
(262)	865	Countesswells Primary	(2,500)	(1,442)	(1,080)	0	0	**(5,022)**
(443)	871	Low Emission Zone	0	0	0	0	0	**0**
(70)	873	Queen Street Redevelopment including Mortuary	0	0	0	0	0	**0**
(211)	874	B999 Shielhill Road Junction	0	0	0	0	0	**0**
(1,500)	881	Hydrogen Programme	(9,000)	0	0	0	0	**(9,000)**
(16,882)	883	City Centre and Beach Masterplans	0	0	0	0	0	**0**
(787)	884	Torry Development Trust - Former Victoria Road School	(622)	0	0	0	0	**(622)**
(493)	885	Place Based Investment Fund	0	0	0	0	0	**0**
(5,557)	886	Bus Prioritisation Fund	0	0	0	0	0	**0**
(591)	890	Dyce Library Relocation	0	0	0	0	0	**0**
(49)	893	RFID Communal Bin Tag System	0	0	0	0	0	**0**
(9,980)	894	Joint Integrated Mortuary	(13,963)	0	0	0	0	**(13,963)**
(3)	903	Investment in Chapel Street Car Park	0	0	0	0	0	**0**
(30)	905	Active Travel Direct Resource Grant	0	0	0	0	0	**0**
(900)	906	Waste : Sclattie Segregation Bays	0	0	0	0	0	**0**
(500)	909	City Deal: Wellington Road	0	0	0	0	0	**0**
(250)	910	Inchgarth Community Centre	(900)	(750)	0	0	0	**(1,650)**
0	913	B1 - Bucksburn Academy Extension - OBC	0	0	(1,000)	(1,000)	(1,000)	**(3,000)**
0	914	B2 - Bucksburn / Newhills additional primary provision - OBC	0	0	0	0	(1,500)	**(1,500)**
0	919	HH1 Countesswells 2nd new Primary School	0	0	0	0	(1,000)	**(1,000)**
0	920	HH2 - Hazlehead / Countesswells Secondary Provision - OBC	0	0	0	0	0	**0**
0	921	L1 - Loirston Loch additional primary provision - OBC	0	0	0	0	0	**0**
0	923	NA1 - Grandhome / Oldmachar / Bridge of Don secondary provision - OBC	0	0	0	0	0	**0**
0	924	O1 - Grandhome primary schools	0	0	0	(1,000)	(1,000)	**(2,000)**
(256)	930	Road safety Fund	0	0	0	0	0	**0**
(120)	931	New Cycle Lockers	0	0	0	0	0	**0**
0	932	Expansion of mandatory 20mph limits in residential areas	(400)	(400)	(400)	(400)	(400)	**(2,000)**
0	935	Electric Vehicle Charging Network	0	(3,000)	(3,000)	(3,000)	0	**(9,000)**
(121)	940	Bairns Hoose Business Case	0	0	0	0	0	**0**
(35)	949	Tillydrone Cruyff Court	0	0	0	0	0	**0**
(309)	950	School Aged Childcare	0	0	0	0	0	**0**
(25)	951	Denburn Restoration	0	0	0	0	0	**0**
(30,000)	new	Use of Service Concession Reserve	0	0	0	0	0	**0**
(73,561)		**1. Programme Funding Streams Sub-Total**	**(43,243)**	**(17,231)**	**(14,310)**	**(7,480)**	**(4,946)**	**(87,210)**

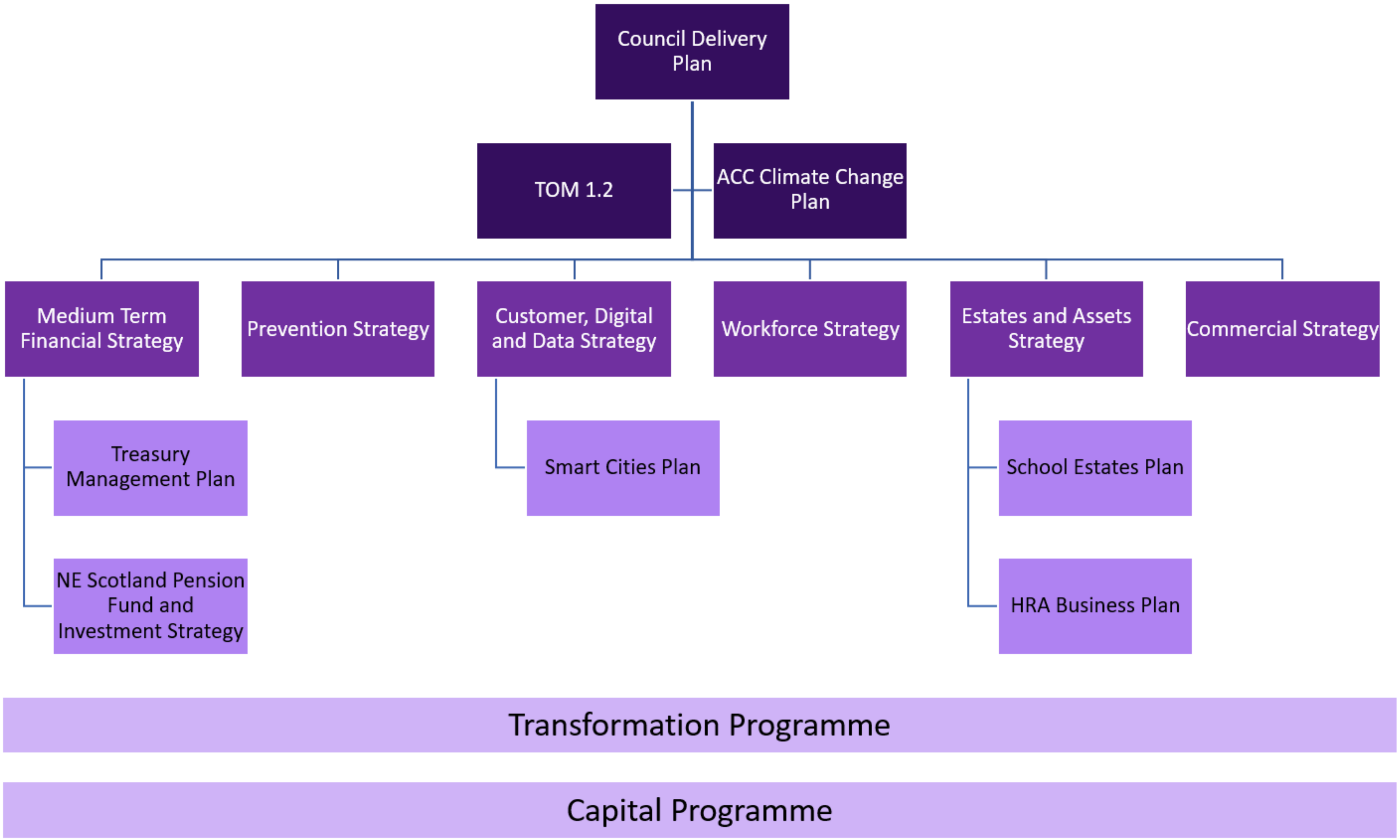
(29,801)		2. Capital Grant	(17,067)	(18,932)	(18,000)	(18,000)	(18,000)	(89,999)
(19,538)		3. Borrowing	(193,418)	(174,761)	(127,681)	(82,525)	(58,690)	(637,075)
(122,900)		Sub-total	(253,728)	(210,924)	(159,991)	(108,005)	(81,636)	(814,284)
0		Net Position	0	0	0	0	0	0

APPENDIX 3 : STRATEGY FRAMEWORK




Local Development Plan
Net Zero Aberdeen Routemap
Aberdeen Adapts
Mobility Strategy
Buildings and Heat Strategy
Circular Economy Strategy
Energy Supply Strategy
Natural Environment Strategy
Empowerment Strategy
Local Transport Strategy
LHEES
Local Housing Strategy
Waste Strategy
Open Space Strategy
Forest and Woodland Strategy
Roads Hierarchy
Sustainable Urban Mobility Plan
Strategic Housing Investment Plan
Core Paths Plan
Granite City Growing (Food Growing Strategy)
Car Parking Strategy
Active Travel Action Plan
Affordable Housing Programme
Flood Risk Management Plans
Natural Heritage Conservation SIP
Electric Vehicle Charging Infrastructure Plan
Air Quality Action Plan
Rapid Rehousing Transition Plan
LTS Costed Action and Delivery Plan
LHS Delivery Programme


Local Outcome Improvement Plan (LOIP)
AH&SCP Strategic Plan
Children's Services Plan
Community Empowerment Strategy
Locality Plans
Carers Strategy
Autism Strategy
Child Poverty Action Plan
Corporate Parenting Action Plan
North
Education National Improvement Framework
Accessibility Plan
Central
Parental Involvement Plan
ELC Delivery Plan
South


Council Delivery Plan
TOM 1.2
ACC Climate Change Plan
Medium Term Financial Strategy
Prevention Strategy
Customer, Digital and Data Strategy
Workforce Strategy
Estates and Assets Strategy
Commercial Strategy
Treasury Management Plan
NE Scotland Pension Fund and Investment Strategy
Smart Cities Plan
School Estates Plan
HRA Business Plan
Transformation Programme
Capital Programme

APPENDIX 4 : PHASE 1 BUDGET CONSULTATION RESULTS

Analysis of Responders

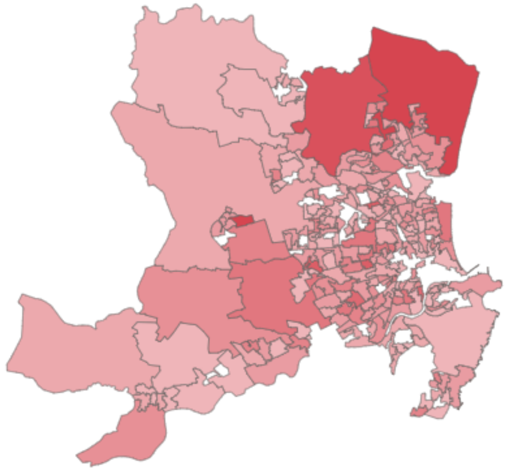
There were 4 parts to the online consultation. Responses to each were as undernoted.

2463	603	390	822
Budget Options	Council Tax	Capital	Prioritisation

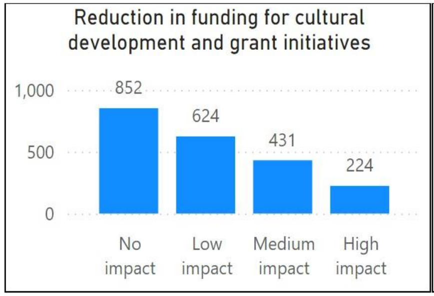
Demographic Information

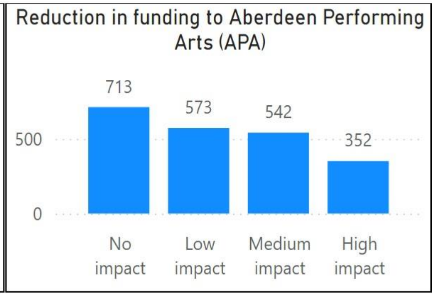
1,921 respondents gave, at least partial, demographic information. Of those:

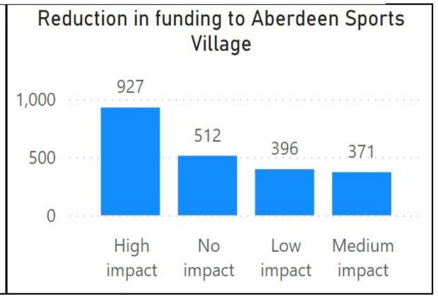
- **Sex:** 44% stated they were female and 38% male. Almost all others selected no option or "Prefer not to say".
- **Age:** 9% were under 25; 13% between 25 & 34; 20% between 35 & 44; 20% between 45 & 54; 18% between 55 & 64; 12% between 65 & 74; and 4% over 75 or over
- **Ethnicity:** 75% stated they were white; 2% Asian; 1% African; 1% mixed / multiple; < 1% other ethnic group. Others selected no option or "Prefer not to say"
- **Religion:** 47% selected "None"; 13% Church of Scotland / England; 6% other Christian; 3% Roman Catholic; 1% Muslim. All other options <1%
- **Health:** 15% stated they had a health problem or disability which limited day to day activities
- **Carer:** 20% stated they provided some care for a family member or friend
- **Employment:** 61% stated they were in full or part time employment
- **Location:** Of those who gave a postcode (746), 93.2%% were in the City; 6.6% in Aberdeenshire. A heat map of those located in Aberdeen is shown opposite.

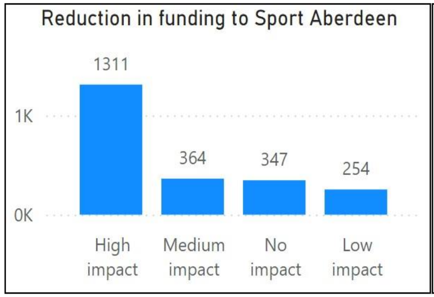


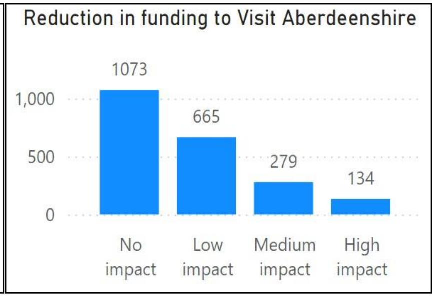
Culture and Sports

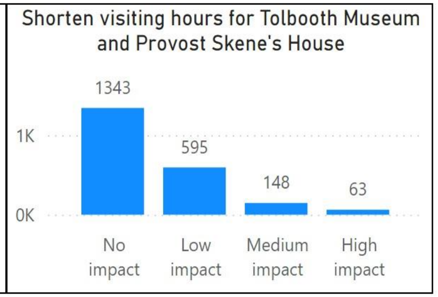


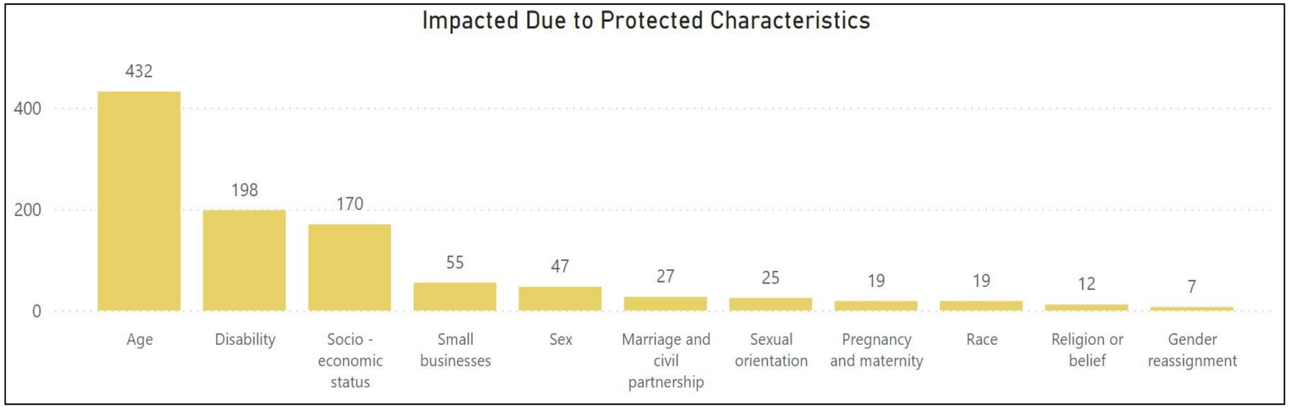








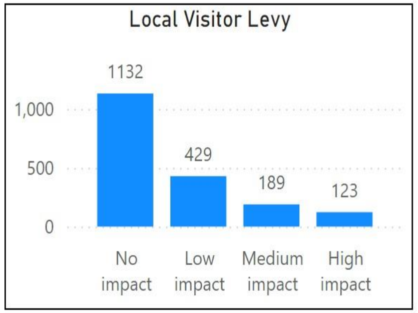


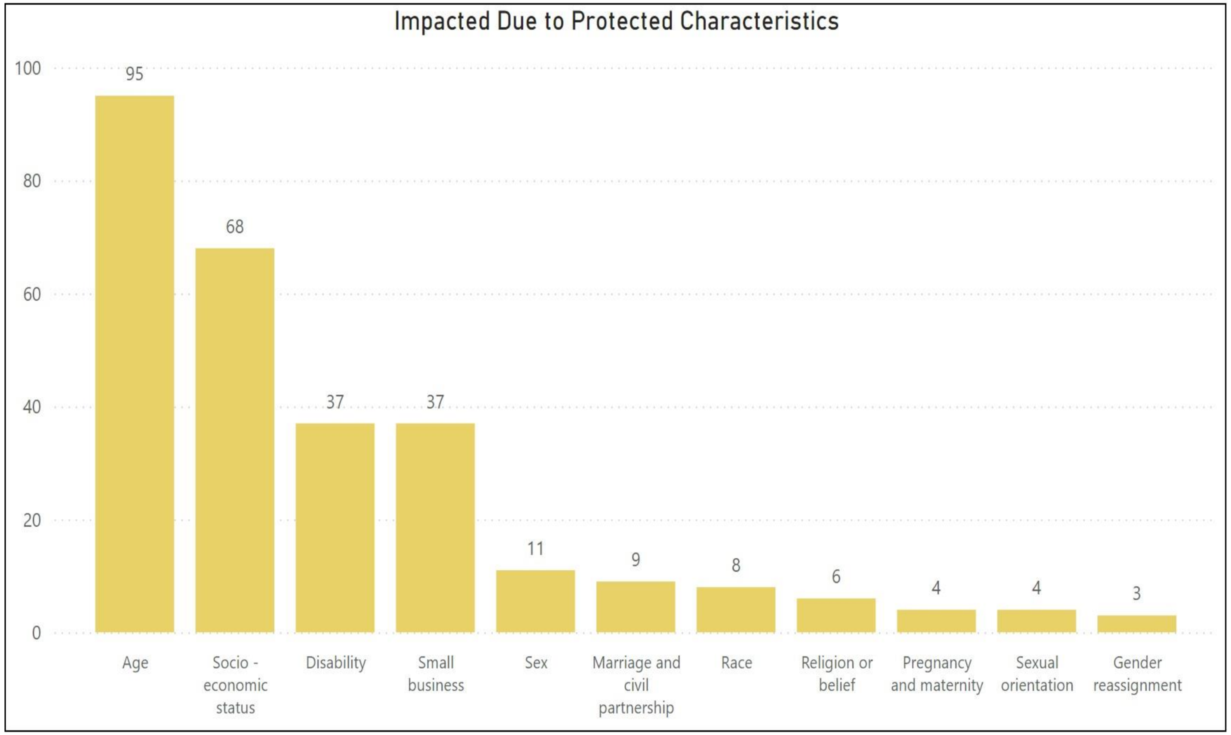


Summary from 571 comments on personal impact:

- **Impact on Community Health**: Some respondents highlighted that reducing funding to ASV and Sport Aberdeen would negatively impact physical and mental health, especially for older adults, students, and those with disabilities.
- **Affordability Concerns**: There is a concern that increased costs or reduced services would make sports facilities unaffordable for low-income families, retirees, and students.
- **Importance of Swimming Facilities**: Some comments emphasized the critical role of swimming facilities in teaching life-saving skills and maintaining health, with specific mentions of ASV.
- **Social and Community Benefits**: ASV and Sport Aberdeen are seen been some as community hubs that offer social interaction, reduce loneliness, and foster community spirit.
- **Impact on Children and Youth**: Cutting funding could limit opportunities for young people to engage in sports, potentially leading to increased antisocial behaviour and long-term health issues.
- **Concerns about Reduced Operating Hours**: Respondents are worried that reduced operating hours would make it difficult for working individuals to access facilities, affecting their ability to maintain a healthy lifestyle.
- **Impact on Competitive Athletes**: Several comments noted that reduced funding would harm competitive athletes who rely on ASV for training, including those at national and international levels.
- **Economic Impact**: There is a belief that investing in cultural and sports facilities can attract tourists and boost the local economy, making cuts counterproductive.
- **Support for Disabled Individuals**: Some commented that ASV and Sport Aberdeen provide essential services for disabled individuals, helping them maintain mobility and health.

Local Visitor Levy

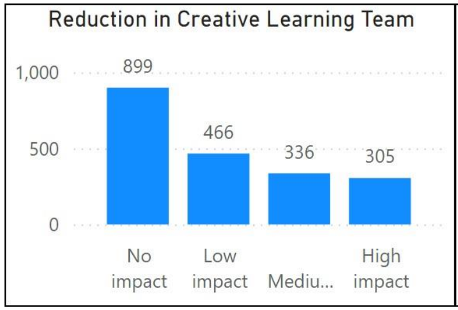


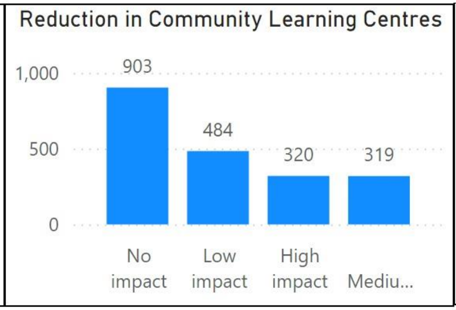


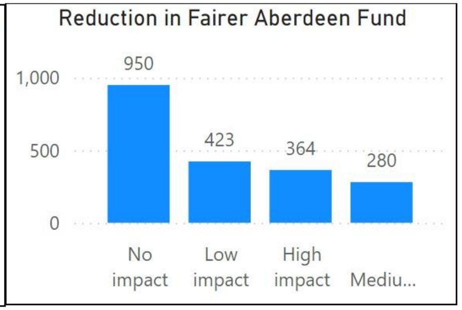
Summary from 321 comments on personal impact:

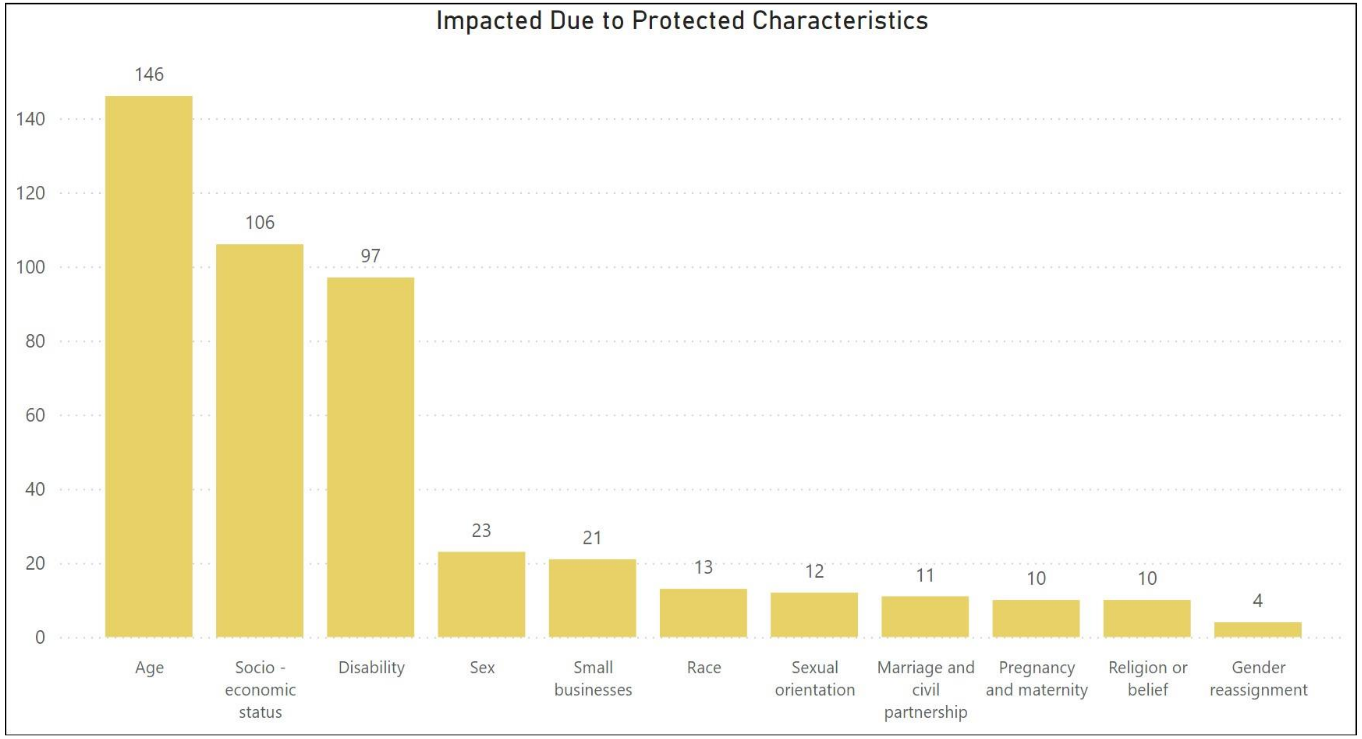
- **Support for Visitor Levy**: Several respondents support the visitor levy, noting it could generate much-needed income for the city and is a common practice in other European cities.
- **Concerns About Tourism Impact**: Many express concerns that the levy would deter visitors, particularly because Aberdeen is not seen as a major tourist destination compared to cities like Edinburgh.
- **Economic Impact on Local Businesses**: There are worries that fewer visitors would negatively impact local businesses, especially those in the hospitality sector, which are already struggling.
- **Suggestions for Levy Implementation**: Some suggest that the levy should be applied to specific groups such as international visitors or cruise ship passengers, rather than all visitors, to minimize negative impacts.
- **Potential Benefits for Public Services**: Proponents argue that the levy could fund improvements in public services, such as sports and cultural facilities, enhancing the overall quality of life for residents and visitors alike.
- **Mixed Opinions on Personal Impact**: Individuals vary in how they believe the levy would personally affect them, with some seeing minimal impact and others worried about increased costs for visiting family and friends.
- **General Acceptance of Levy Concept**: Despite concerns, there is a general acceptance among some that a visitor levy is a reasonable measure if kept at a modest rate and clearly explained to the public.

Communities





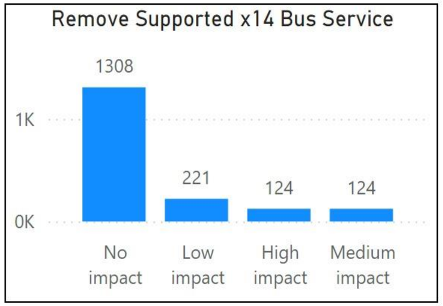


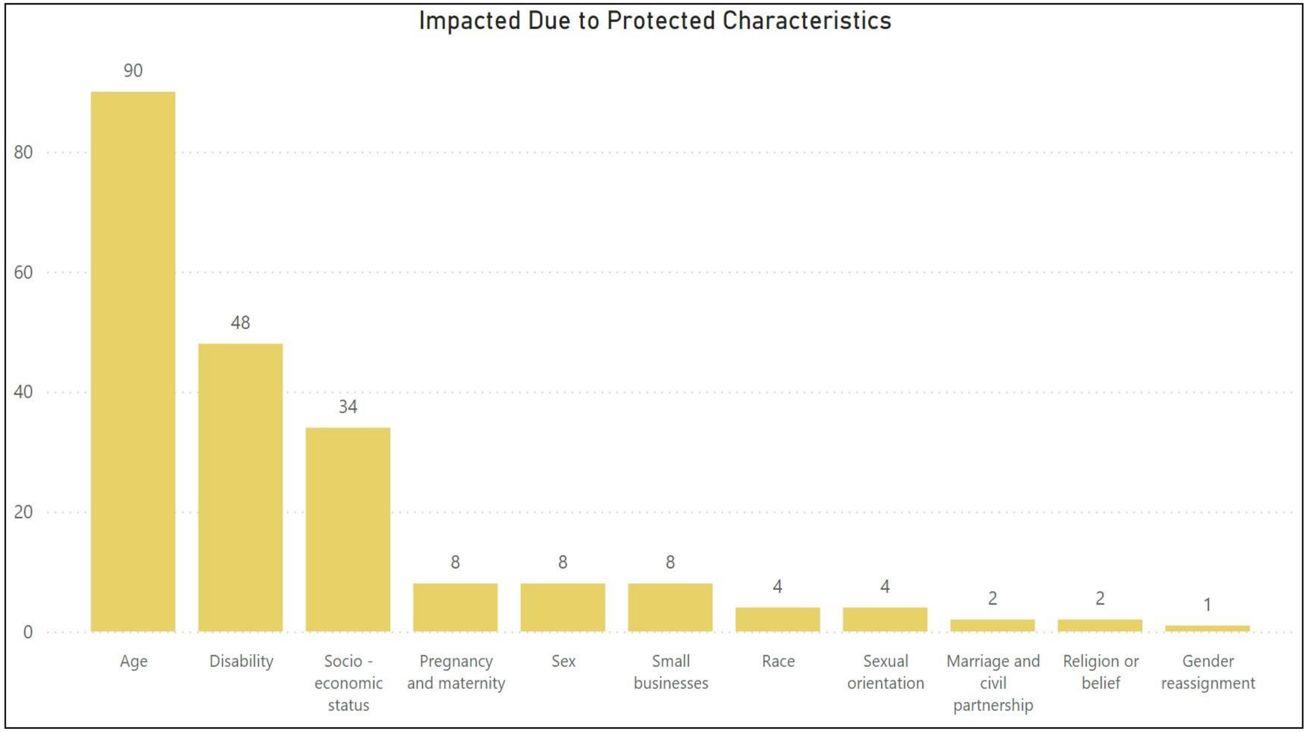


Summary from 355 comments on personal impact:

- **Impact on Vulnerable Groups**: Many respondents emphasize that cuts to the Fairer Aberdeen Fund would severely affect vulnerable groups, including low-income families, people with disabilities, and those experiencing mental health issues.
- **Community Services and Support**: Community centres and services funded by the Fairer Aberdeen Fund play a crucial role in providing support, social interaction, and essential services to disadvantaged communities.
- **Educational and Social Benefits**: Respondents highlight the importance of educational and social activities funded by the Fairer Aberdeen Fund in enriching lives and preventing future societal problems.
- **Negative Long-term Effects**: Many believe that cutting these funds would lead to worse outcomes in the long term, including increased poverty, crime, and strain on other public services.
- **Personal Testimonials**: Numerous individuals share personal stories about how the Fairer Aberdeen Fund and related services have positively impacted their lives, emphasizing the potential negative effects of funding cuts.
- **Economic and Employment Benefits**: Projects supported by the Fairer Aberdeen Fund have been successful in helping individuals find employment and improve their economic situation.
- **Mental Health Concerns**: Several comments stress that reducing funding would exacerbate mental health issues among vulnerable populations, leading to increased isolation and deteriorating mental health.
- **Support for Children and Youth**: Funding cuts would negatively impact programs for children and youth, which are essential for their development and keeping them engaged in positive activities.
- **Community Cohesion**: Maintaining funding is seen as vital for community cohesion, providing spaces and opportunities for people to come together and support each other.
- **Call for Continued Support**: Overall, there is a strong call for continued support and investment in these community services to ensure the well-being of all residents, particularly the most vulnerable.

Remove Supported x14 Bus Service

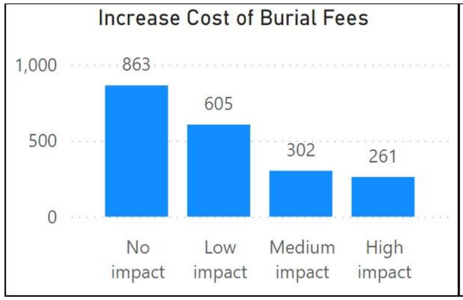


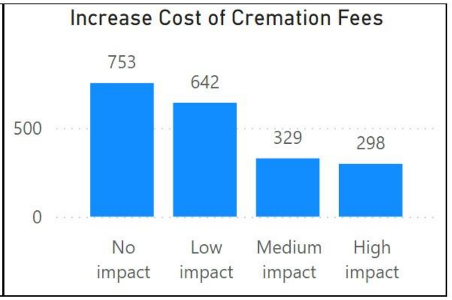


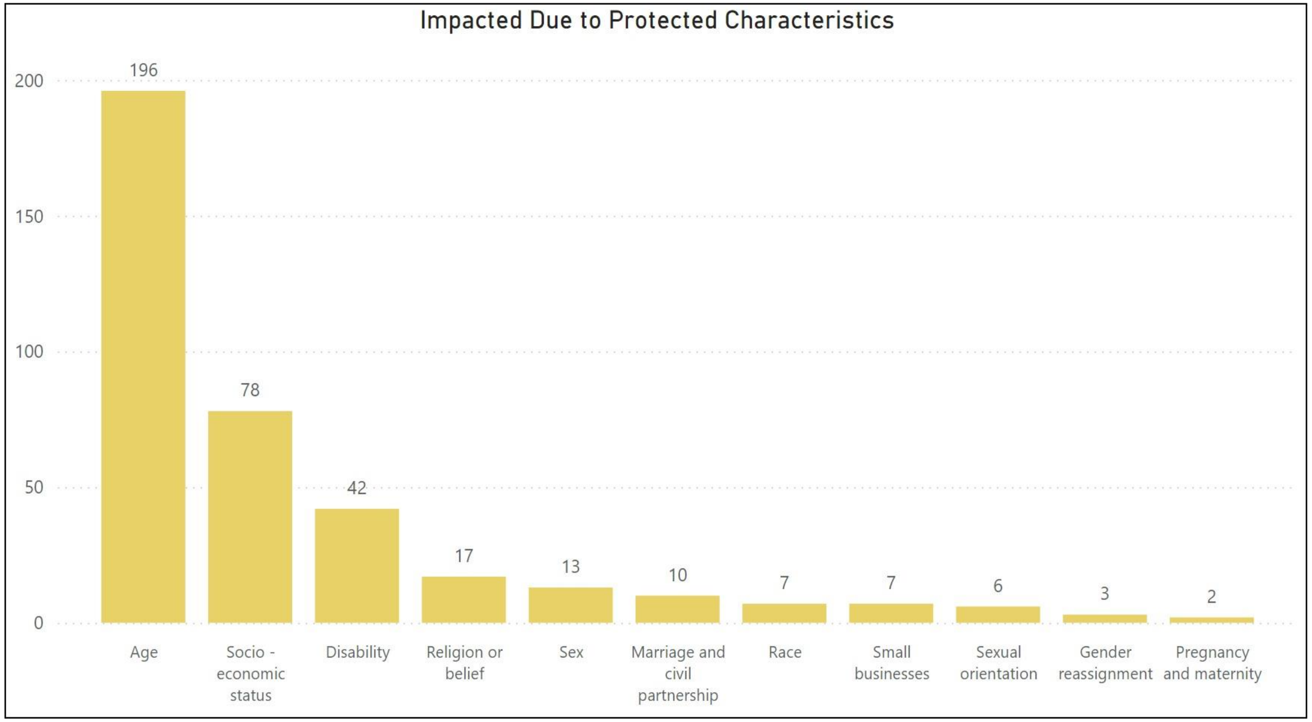
Summary from 250 comments on personal impact:

- **Public Transport Essential**: Many respondents emphasize the importance of the bus service for accessing work, education, and healthcare, especially for those who cannot afford cars or taxis.
- **Impact on Vulnerable Groups**: The removal of the bus service would particularly affect the elderly, disabled, and low-income families who rely on it for essential travel.
- **Environmental Concerns**: Several comments highlight that cutting the bus service would lead to increased car usage and pollution, counteracting efforts to promote public transport and reduce environmental impact.
- **Economic and Social Impact**: Respondents note that the bus service supports local businesses and helps maintain social connections, and its removal could lead to economic and social isolation.
- **Criticism of Subsidizing Private Companies**: Some feedback criticizes the council for subsidizing a private transport company, arguing that public funds should not support private profits.
- **Calls for Better Alternatives**: There are suggestions for assessing the usage of the bus service and exploring better alternatives before making a decision, ensuring that any changes do not disproportionately impact certain groups.
- **Concerns About Hospital Access**: Many respondents stress the importance of maintaining a bus route to the hospital, as it is crucial for patients, visitors, and healthcare workers.
- **General Dissatisfaction with Bus Services**: There is a general sentiment of dissatisfaction with the current state of bus services in Aberdeen, with calls for improvements rather than reductions.

Citizen Services (1)





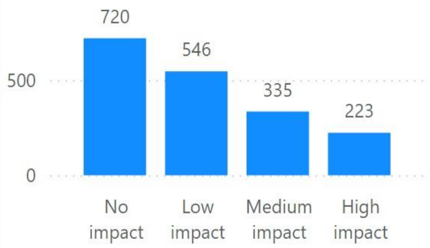


Summary from 336 comments on personal impact:

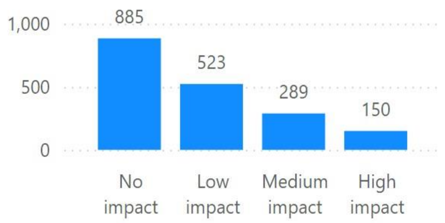
- **Support for Fee Increase**: Some individuals agree with the fee increase, suggesting that it is a necessary cost that should be planned for during one's working life.
- **Concerns About Affordability**: Many people express concerns that the increased costs would burden families already struggling with the cost of living, making it harder to afford respectful end-of-life services.
- **Impact on Vulnerable Populations**: There is a strong sentiment that increasing fees would disproportionately affect low-income families and those dealing with financial hardships, adding stress during a difficult time.
- **Alternative Funding Suggestions**: Some respondents suggest finding other ways to generate funds rather than increasing burial and cremation fees, considering the sensitivity of the matter.
- **Ethical Considerations**: Several comments highlight the ethical issues of profiting from death and the financial burden it places on grieving families.
- **Prepaid Plans and Insurance**: Some individuals mention having prepaid plans or insurance to cover funeral costs, but worry that increased fees could still impact their families.

Citizen Services (2)

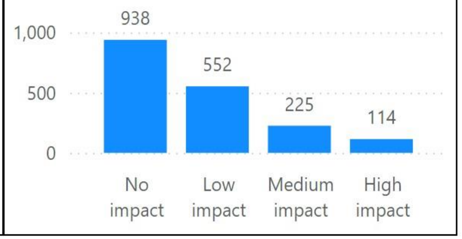
Digital Only Access for Non-Emergencies



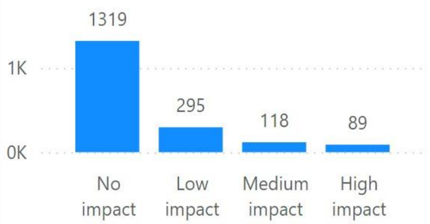
Reduction in Cleaning Hours in Non-School Buildings



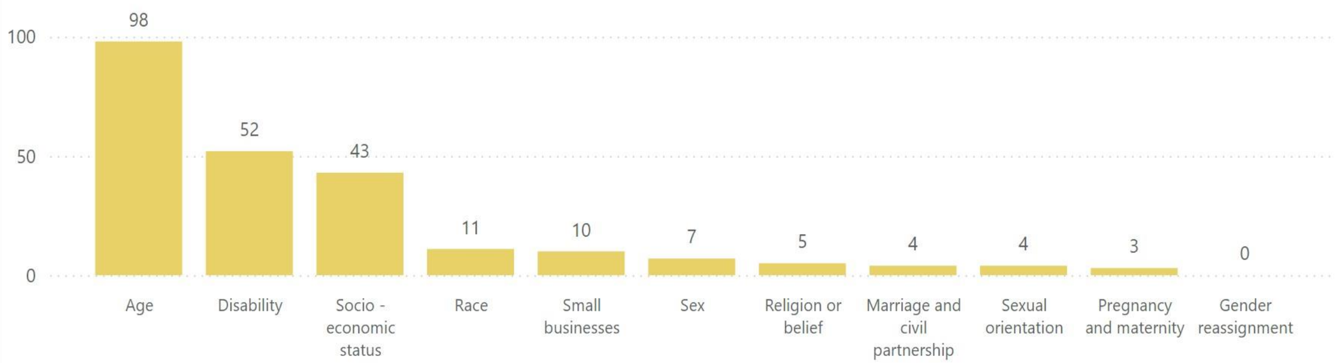
Reduction in Online & Social Media Communications



Translation Service Delivered by Telephone or Online Only



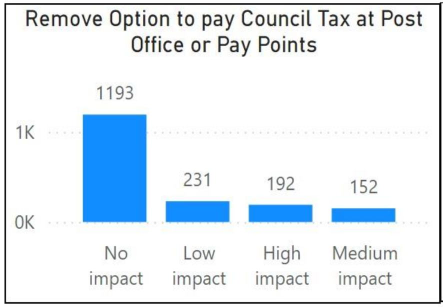
Impacted Due to Protected Characteristics

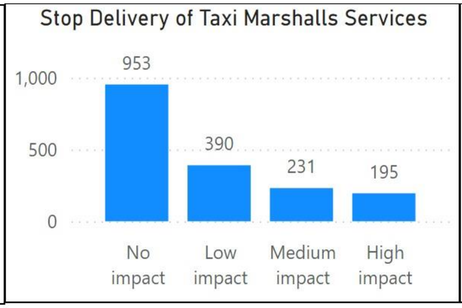


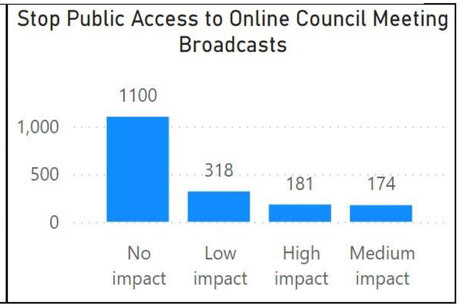
Summary from 291 comments on personal impact:

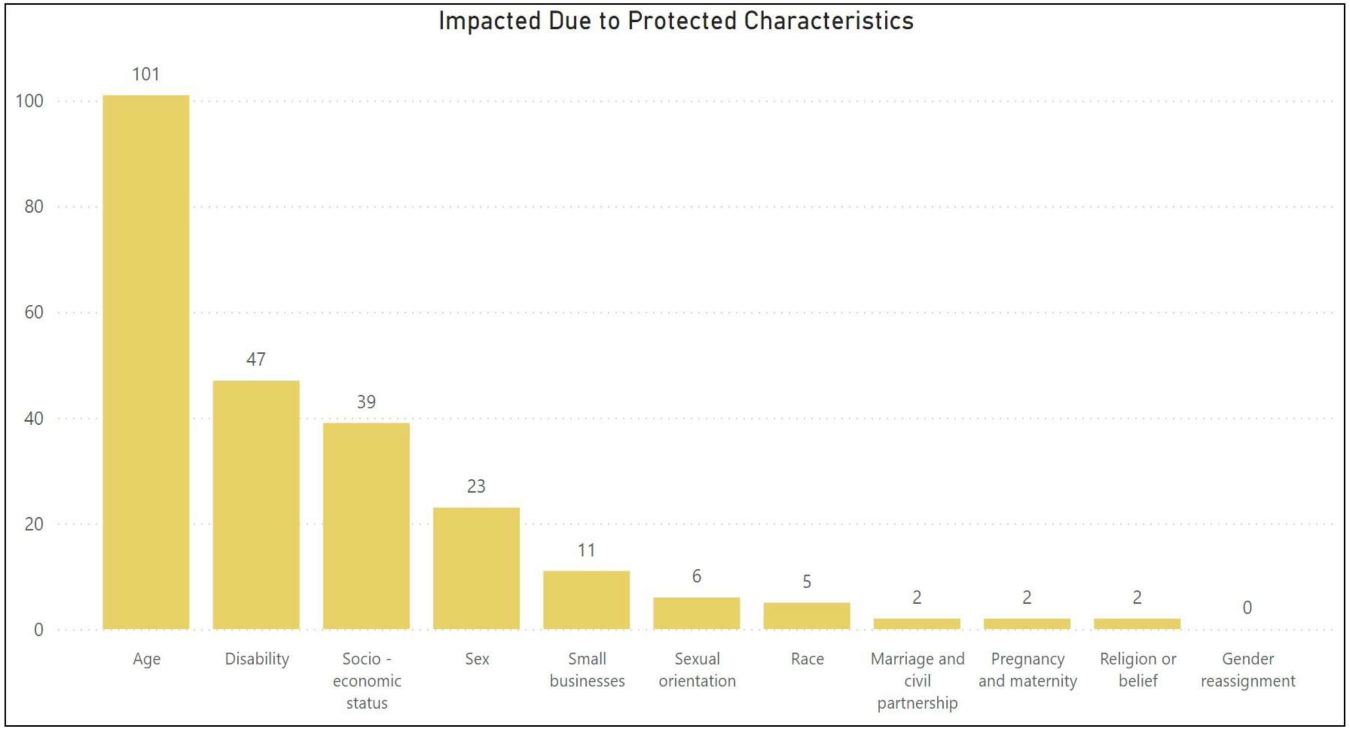
- **Concerns About Digital-Only Access**: Many respondents highlighted that digital-only access would exclude those without internet access or digital skills, particularly affecting older and vulnerable populations.
- **Importance of Cleaning Services**: There are significant worries about reducing cleaning hours in schools and other facilities, as this could lead to increased illness and a decline in hygiene standards.
- **Social Media and Communication**: Respondents emphasized the need for effective social media and digital communications to keep citizens informed, though some questioned the high costs associated with these services.
- **Translation Services**: Mixed opinions were expressed about translation services; some see them as essential for non-English speakers, while others believe they should not be provided free of charge.
- **Accessibility and Inclusion**: Feedback stressed that moving services online could disproportionately impact those with disabilities and the elderly, making it harder for them to access essential services.
- **Experience with Current Digital Services**: Several respondents noted that the current digital services are already inefficient and frustrating, suggesting that further reliance on them could exacerbate these issues.
- **Impact on Vulnerable Populations**: There is a strong concern that digital-only access would particularly disadvantage the most vulnerable and poorest citizens.
- **Preference for Human Interaction**: Many people prefer speaking to a person rather than using digital services, finding it more effective for resolving issues quickly.
- **Health and Safety Concerns**: Reducing cleaning services is seen as a potential health risk, especially in the context of preventing the spread of diseases like COVID-19.
- **Need for Transparent Communication**: Respondents called for more transparency and better communication from the council to build trust and ensure citizens are well-informed about services and changes.

Citizen Services (3)





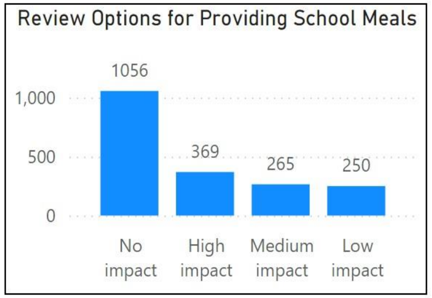


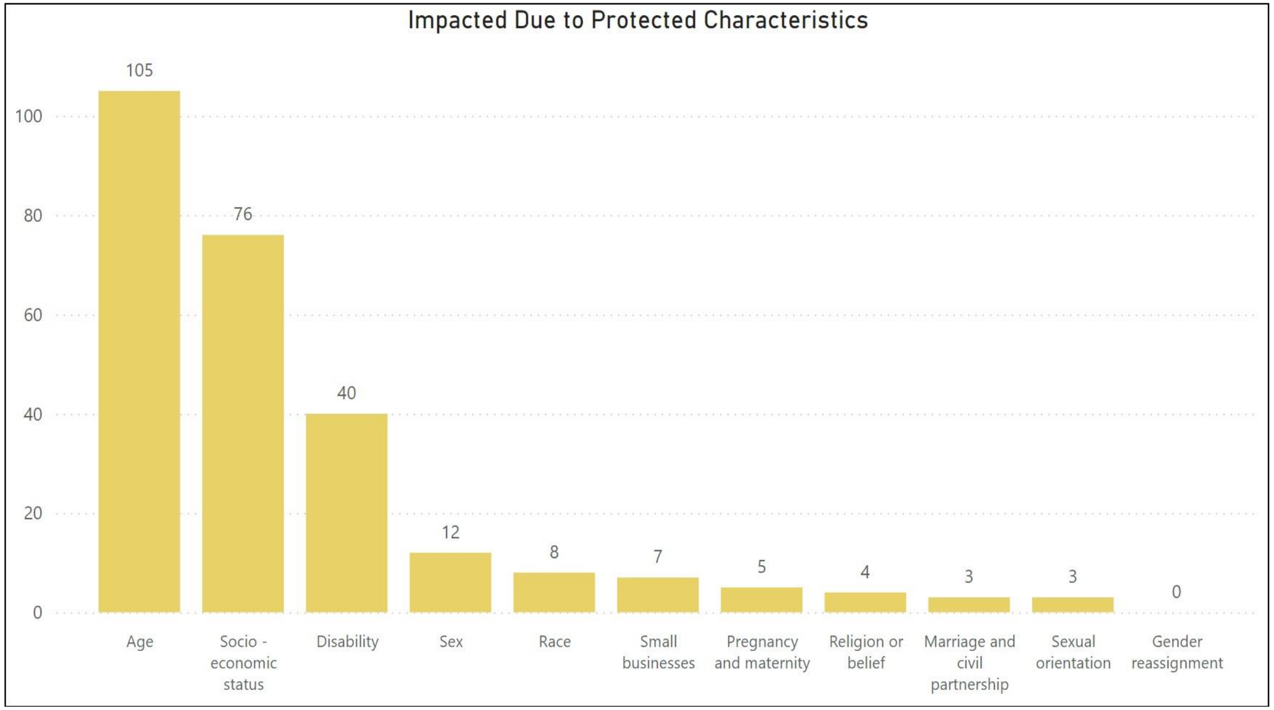


Summary from 286 comments on personal impact:

- **Transparency and Democracy**: Many respondents feel that removing online access to council meetings would reduce transparency and democracy, making it difficult for citizens to stay informed and hold the council accountable.
- **Safety Concerns**: The taxi marshall service is widely regarded as essential for public safety, especially at night, to prevent violence and ensure orderly taxi queues.
- **Impact on Vulnerable Populations**: Several comments highlight that cutting payment options for council tax at post offices and pay points would disproportionately affect elderly and digitally excluded individuals.
- **Cost vs. Benefit**: Some respondents question the actual cost savings from these cuts, suggesting that the benefits of maintaining these services outweigh the financial savings.
- **Alternative Solutions**: Suggestions include allowing Uber to operate in the city to reduce the need for taxi marshalls and finding more cost-effective ways to broadcast council meetings.
- **Public Safety**: Many believe that removing taxi marshalls would lead to increased violence and anti-social behaviour at taxi ranks, putting additional strain on emergency services.
- **Accessibility Issues**: Concerns are raised about the accessibility of council meetings for those who cannot attend in person, such as disabled individuals or those with other commitments.
- **Financial Implications**: There is a worry that reducing payment options for council tax could lead to increased non-payment and financial difficulties for the council.

School Meals



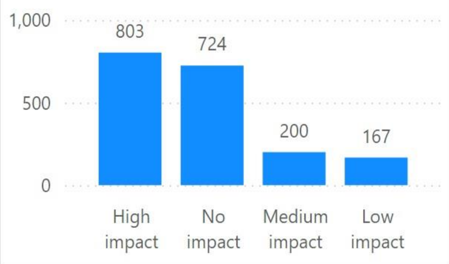


Summary from 313 comments on personal impact:

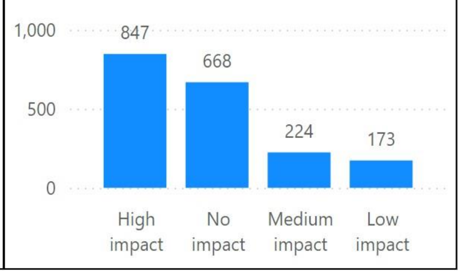
- **Importance of Free School Meals**: Many respondents emphasize the importance of free school meals for children, particularly for those from low-income families who may rely on these meals as their only substantial food for the day.
- **Concerns About Removing Free Meals**: Several people express concerns that removing free school meals or increasing their cost could exacerbate inequality and negatively impact children's health and academic performance.
- **Support for Means Testing**: Some respondents suggest that free school meals should be means-tested to ensure that only those who genuinely need them receive them, thus reducing unnecessary expenditure.
- **Pre-ordering Meals**: There is support for pre-ordering meals to reduce waste and improve efficiency, though some parents and children may find it inconvenient.
- **Impact on Local Businesses**: Allowing students to leave school for lunch could affect local businesses that rely on student customers, but it might also lead to unhealthy eating habits.
- **Administrative Savings**: Some respondents believe that administrative changes could save money without compromising the quality or availability of school meals.
- **Quality of School Meals**: There are mixed opinions on the quality of current school meals, with some calling for improvements to ensure they are nutritious and appealing to children.
- **Potential Risks of Leaving School**: Concerns are raised about the risks associated with allowing children to leave school during lunch, including safety issues and unhealthy food choices.
- **Financial Strain on Families**: Increasing the cost of school meals could place additional financial strain on families, particularly during the current cost-of-living crisis.
- **Inclusivity and Equality**: Ensuring that all children have access to nutritious meals at school is seen as a way to promote inclusivity and reduce bullying related to socioeconomic differences.

Education (1)

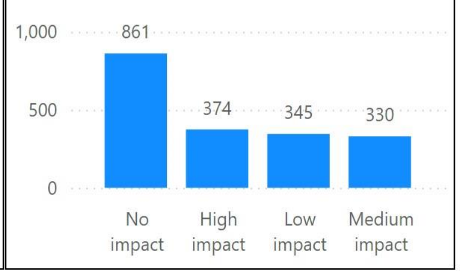
Decrease Primary Education



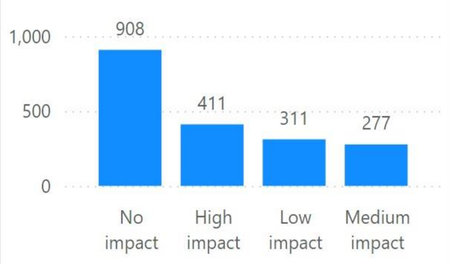
Decrease Secondary Education



Reduction Cleaning Hours in School Buildings



Reduction the Music Service



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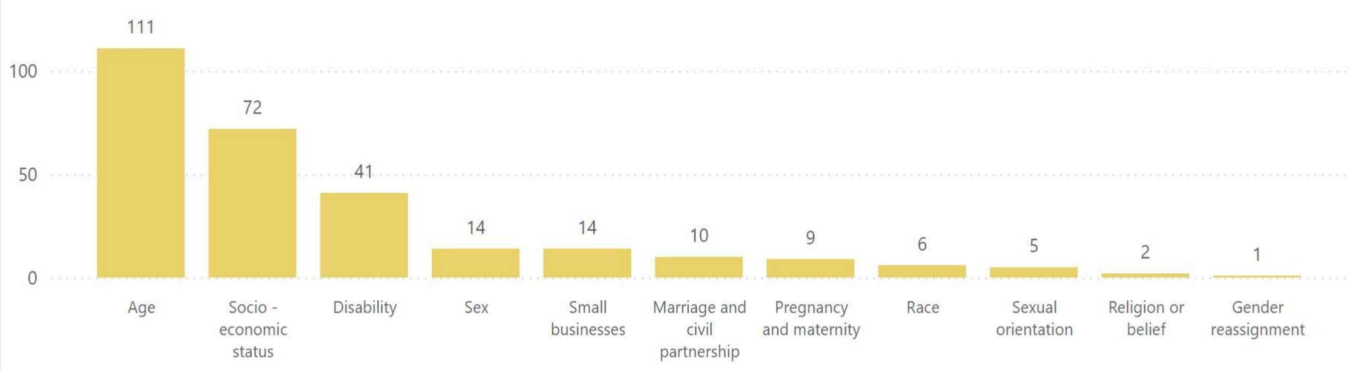
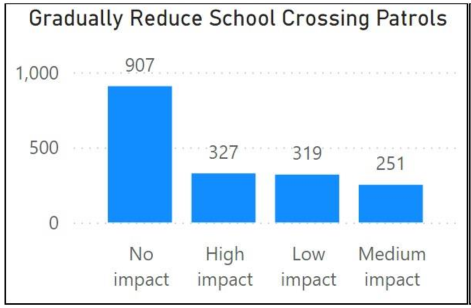
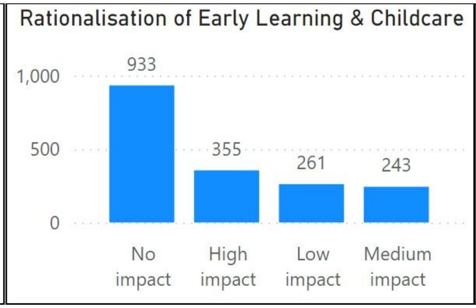


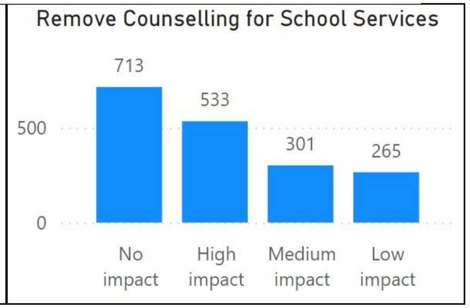
Summary from 477 comments on personal impact:

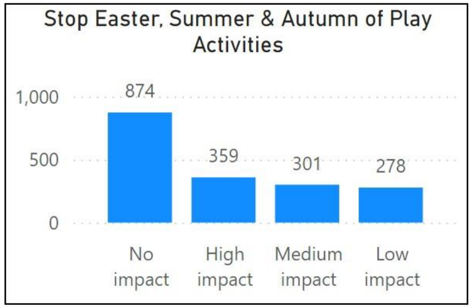
- **Increased Childcare Costs**: Many respondents expressed concerns that reducing school hours would lead to increased childcare costs, making it unaffordable for many working parents.
- **Impact on Music Education**: There were numerous objections to cutting music services, highlighting the importance of music for children's development, mental health, and providing opportunities for those from low-income families.
- **Concerns About School Cleanliness**: Reducing cleaning services in schools was seen as a major health risk, potentially leading to the spread of germs and illnesses among students and staff.
- **Negative Impact on Education Quality**: Many respondents believe that reducing school hours would negatively affect the quality of education, leading to lower academic performance and future opportunities for students.
- **Legal and Ethical Concerns**: Some participants questioned the legality of reducing school hours and argued that it sends a poor message about the value placed on education.
- **Economic and Social Implications**: There were concerns about the broader economic and social implications, including the potential increase in unemployment and the long-term impact on the economy due to a less educated workforce.

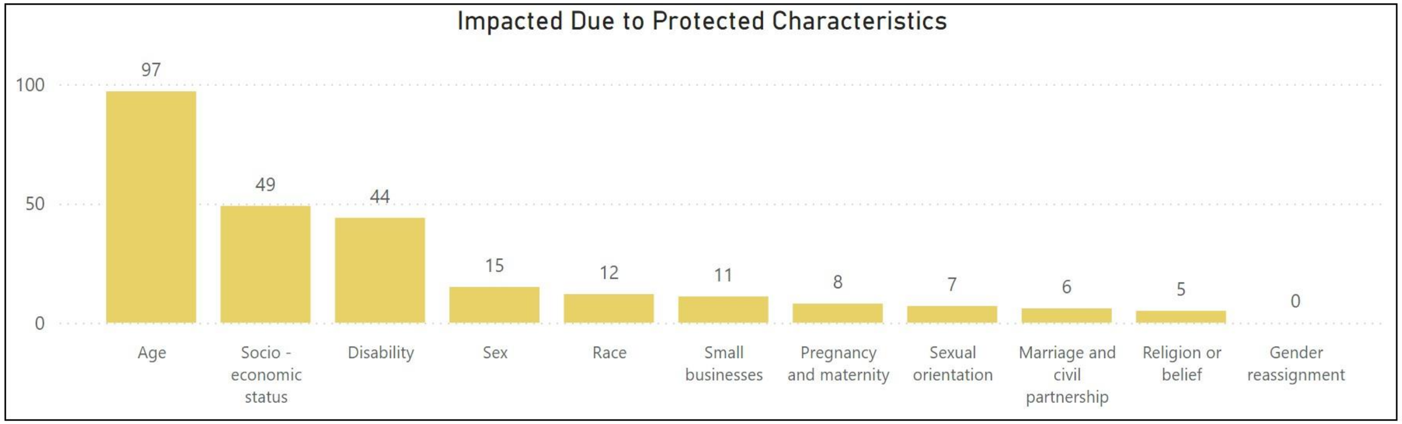
Education (2)







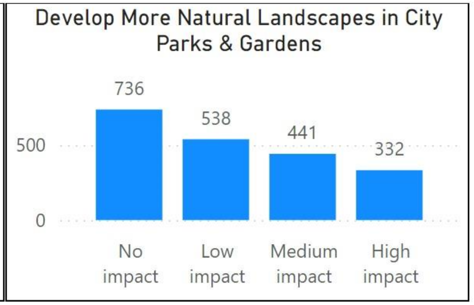


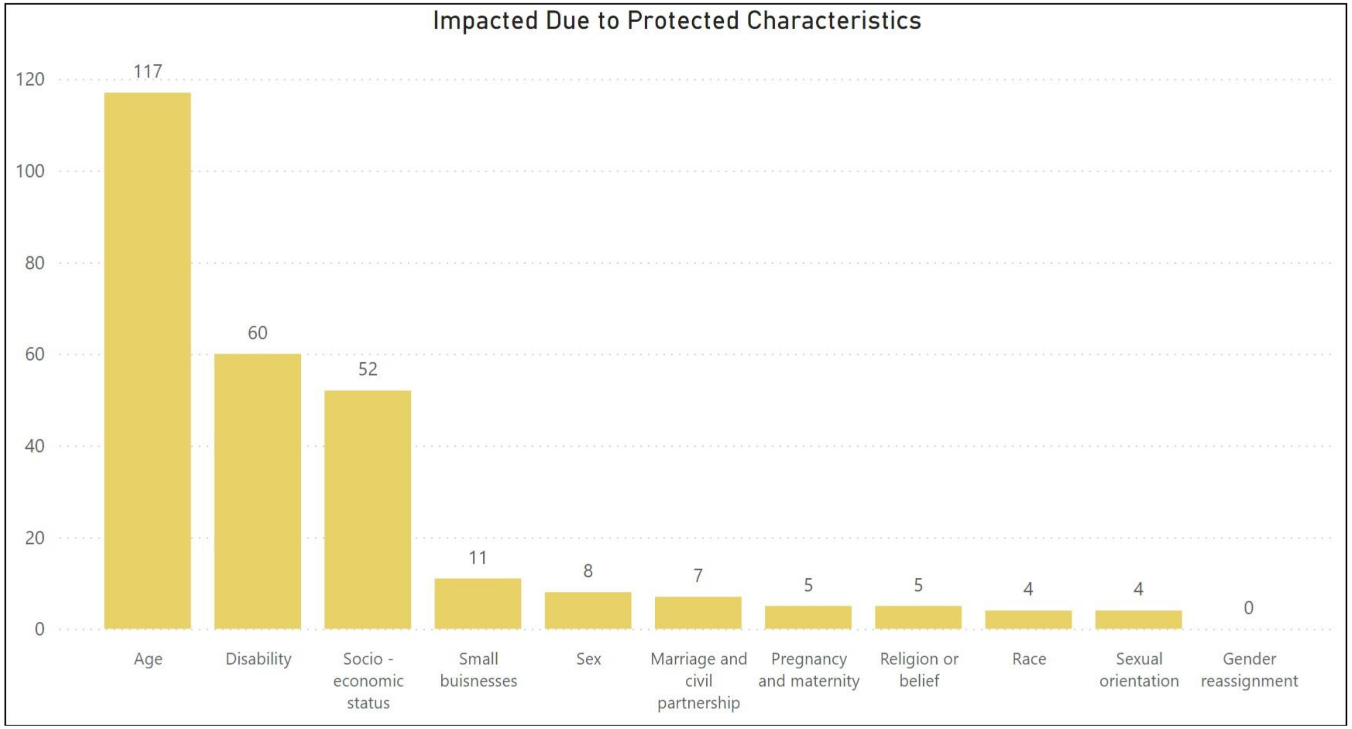


Summary from 319 comments on personal impact:

- **Concerns about Safety**: Many respondents are worried that removing school crossing patrols will jeopardize children's safety, leading to potential accidents and increased danger when crossing roads.
- **Mental Health Support**: There is significant concern about the removal of school counselling services, with many emphasizing the rising mental health issues among young people and the critical role these services play.
- **Impact on Vulnerable Families**: Cutting holiday activities and early learning childcare is seen as detrimental, especially for low-income families who rely on these services for support and childcare during school breaks.
- **Short-Sighted Decisions**: Several respondents believe that these cuts are short-sighted and will have long-term negative effects on children's development, safety, and well-being.
- **Economic Impact**: There are concerns that reducing these services will force parents to take unpaid leave or leave their jobs, thereby increasing financial strain on families and potentially increasing dependency on benefits.
- **Support for School Crossing Patrols**: While some believe that school crossing patrols are essential for child safety, others suggest replacing them with more permanent solutions like pedestrian crossings.
- **Importance of Counselling**: Many emphasize that school counselling is vital for addressing mental health issues early, preventing more severe problems, and reducing the burden on other services like the NHS.
- **General Disapproval**: Overall, the majority of respondents disapprove of the proposed cuts, viewing them as detrimental to the safety, mental health, and development of children.

Roads, Waste & Environment (1)



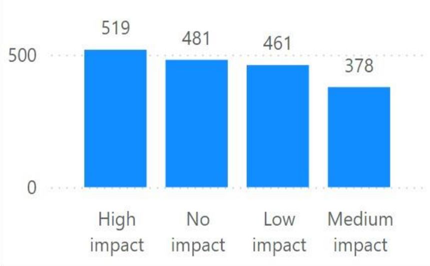


Summary from 524 comments on personal impact:

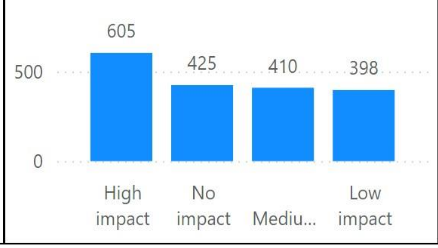
- **Waste Collection Concerns**: Many residents express concerns that reducing waste collection to every three weeks would lead to overflowing bins, increased vermin, and potential health hazards.
- **Recycling Frequency**: There is a strong preference for maintaining the current two-week recycling collection schedule, as many households already struggle with overflowing recycling bins.
- **Impact on Parks**: Opinions are divided on the proposal to develop more natural landscapes in city parks, with some residents supporting the idea for environmental benefits while others worry it will make parks look neglected and reduce their usability.
- **Environmental and Health Risks**: Several comments highlight the potential environmental and health risks associated with less frequent waste collection, including increased littering and fly-tipping.
- **Community Impact**: Residents emphasize the importance of well-maintained parks for mental health and community well-being, expressing concerns that reduced maintenance will negatively impact these benefits.
- **Suggestions for Improvement**: Some residents suggest that any reduction in waste collection frequency should be accompanied by provisions for larger bins or additional resources to manage excess waste.

Roads, Waste & Environment (2)

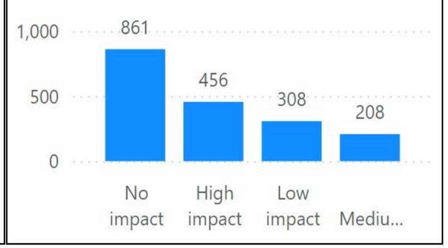
Extend Charging Period for Parking



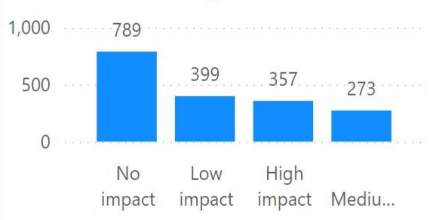
Increase Costs of On Street & Off Street Parking



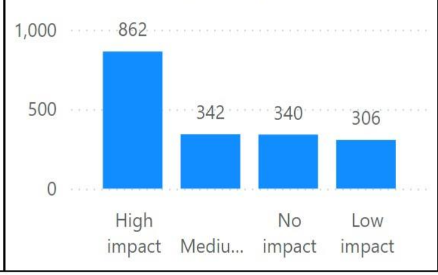
Increase Costs of Resident, Business & Contractor Parking Permits



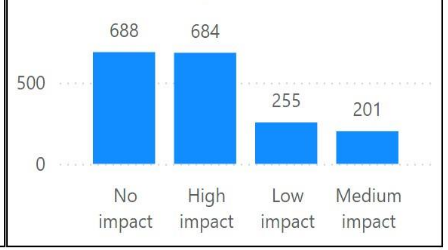
Increase Fees & Charges for Managing Roadworks, Street Use & Traffic Management



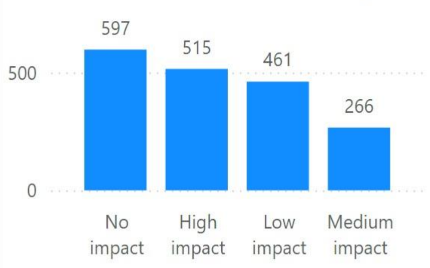
Introduce Parking Charges at the Beach



Introduce a Workplace Parking Levy for Employees



Reinstate the Garden Waste Charges



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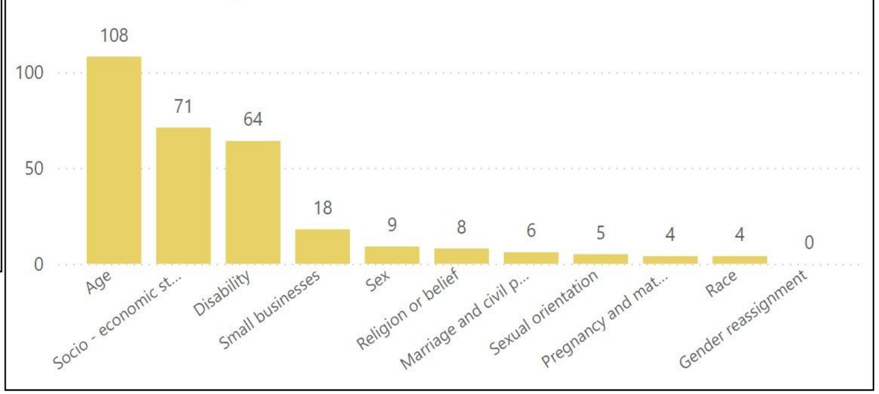
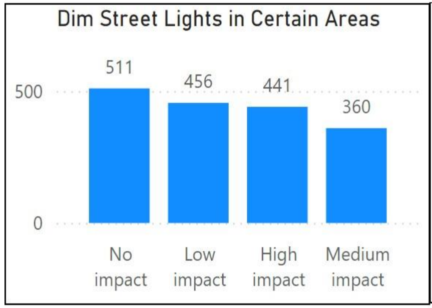
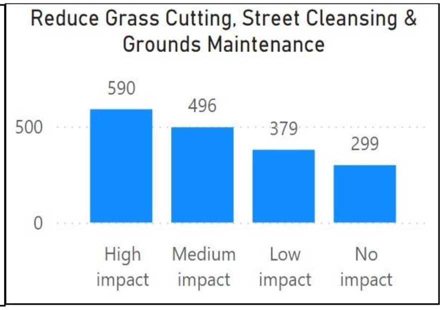


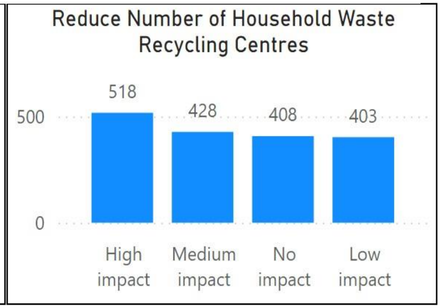
Summary from 483 comments on personal impact:

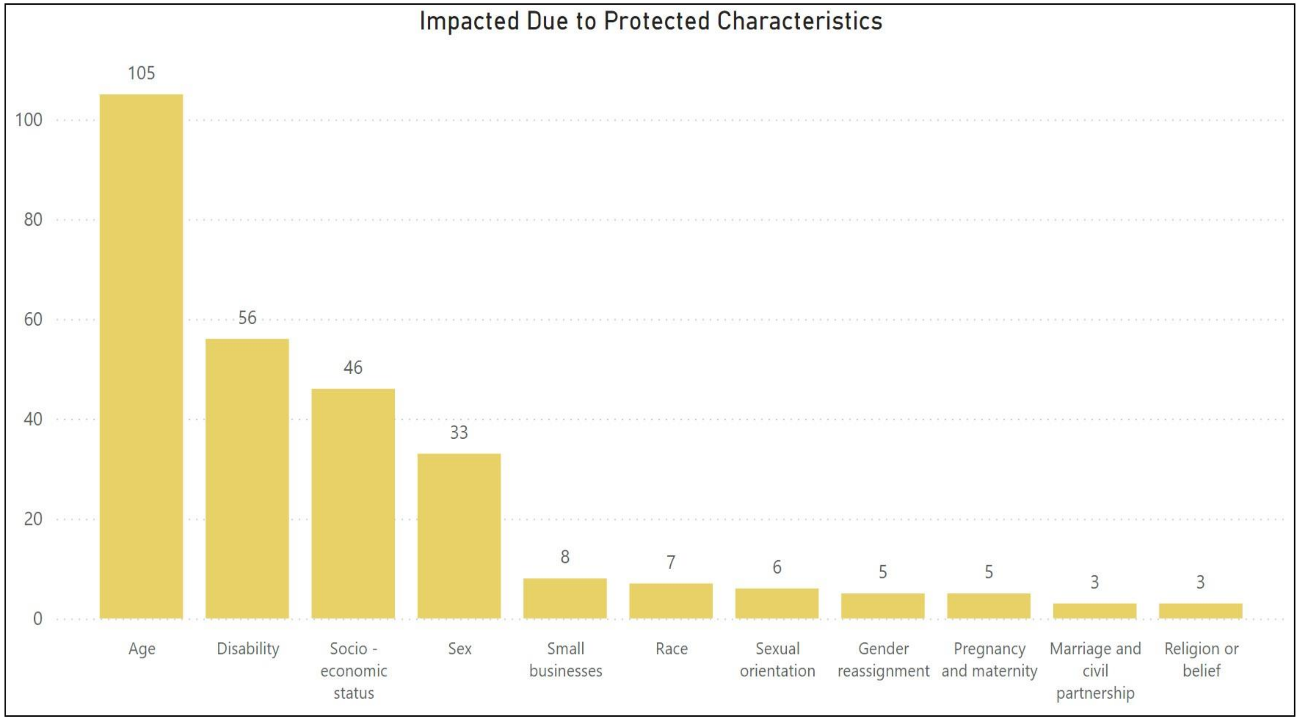
- **Opposition to Beach Parking Charges**: Many respondents are against introducing parking charges at the beach, arguing it will deter visitors and negatively impact local businesses.
- **Concerns Over City Centre Parking Costs**: There is significant opposition to increasing parking charges in the city centre, with many believing it will further reduce footfall and harm businesses.
- **Impact on Workers**: Several comments highlight that increased parking costs and workplace parking levies would financially strain workers, particularly those who rely on cars due to inadequate public transport.
- **Support for Garden Waste Charges**: Some respondents support reinstating the garden waste charge, viewing it as a reasonable measure to generate revenue.
- **Negative Impact on Mental Health and Wellbeing**: Concerns are raised about the negative impact on mental health and wellbeing if people are discouraged from visiting the beach and other recreational areas due to parking fees.
- **Effect on City's Appeal**: Many believe that increasing parking fees and introducing new charges will make Aberdeen less appealing, driving people and businesses away from the city.
- **Public Transport Issues**: Numerous comments highlight the inadequacy and high cost of public transport as a barrier to reducing car usage, suggesting that improvements are needed before implementing higher parking charges.
- **Opposition to Workplace Parking Levy**: There is strong opposition to the workplace parking levy, with many arguing it would unfairly penalize employees and potentially lead to job losses or businesses relocating.
- **Concerns Over Residential Parking Permits**: Residents express frustration over the high cost of parking permits and the potential for further increases, which they feel are unfair and financially burdensome.
- **Suggestions for Alternative Measures**: Some respondents propose alternative measures such as targeting specific vehicles like campervans for charges, or improving enforcement of existing parking regulations to raise revenue.

Roads, Waste & Environment (3)





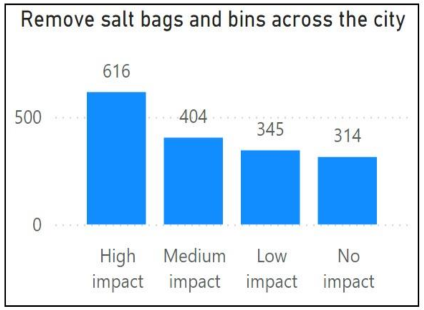


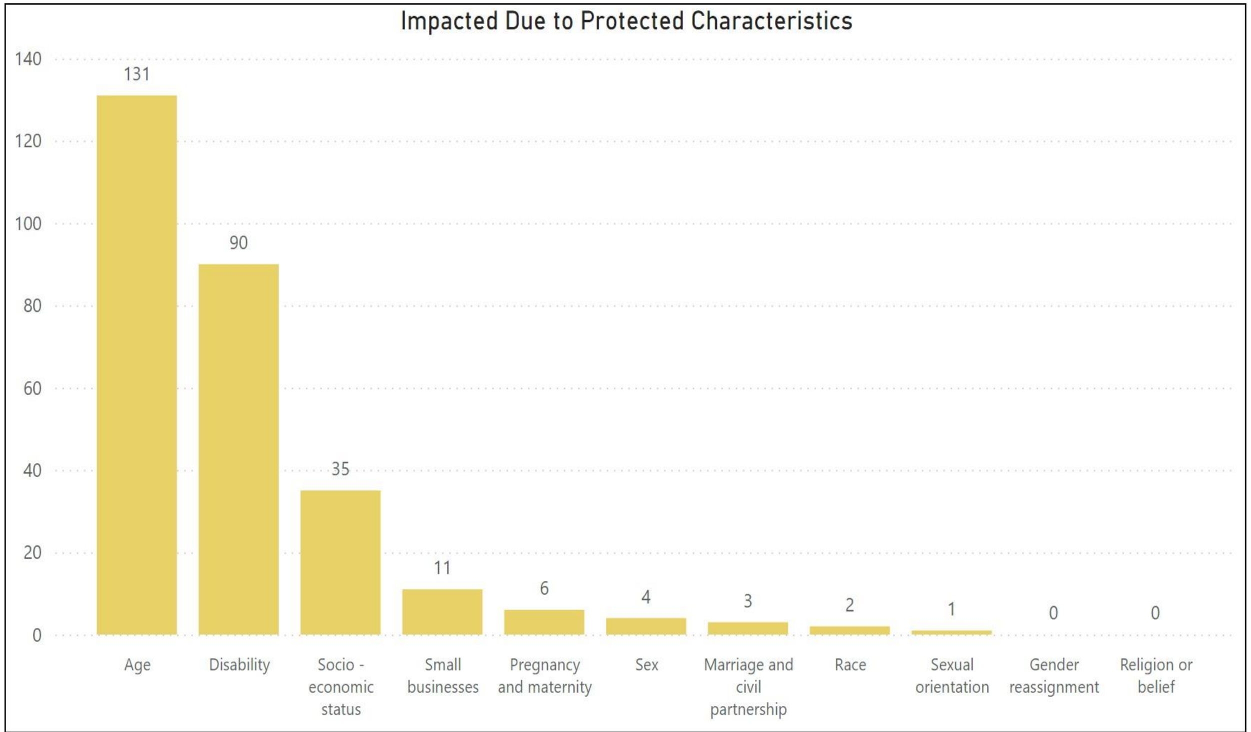


Summary from 403 comments on personal impact:

- **Concerns About Safety**: Many respondents express that dimming or reducing street lighting would make them feel unsafe, particularly women and the elderly, who fear increased crime and accidents.
- **Impact on Cleanliness**: Residents are worried that reducing street cleaning and grass cutting will make the city look unkempt and unattractive, potentially deterring visitors and lowering residents' quality of life.
- **Fly-Tipping Concerns**: There is a strong belief that reducing the number of recycling centers will lead to an increase in fly-tipping, which would be costly to manage and detrimental to the environment.
- **Recycling Center Usage**: Several residents mention that they regularly use the recycling centers and would be negatively impacted by their closure, leading to more waste in general bins.
- **Support for Grass Cutting Reduction**: Some residents support reducing grass cutting in favor of promoting wildflower areas, which they believe would benefit biodiversity.
- **Economic and Environmental Impact**: Residents note that a cleaner and well-maintained city is essential for attracting tourists and maintaining civic pride, suggesting that cuts in maintenance are a false economy.
- **Mixed Opinions on Lighting**: While many oppose the reduction in street lighting, some residents believe that dimming lights in less critical areas could save money and benefit the environment.
- **Health and Safety**: Concerns are raised about how reduced maintenance and lighting could lead to more accidents, injuries, and health issues, particularly for vulnerable populations.
- **Impact on Mental Health**: Some residents express that a well-maintained environment positively affects mental health and community spirit, while neglect could lead to a decline in these areas.
- **Alternatives and Suggestions**: Suggestions include using LED lights instead of dimming, maintaining essential cleaning services, and encouraging community involvement in maintaining green spaces.

Roads, Waste & Environment (4)

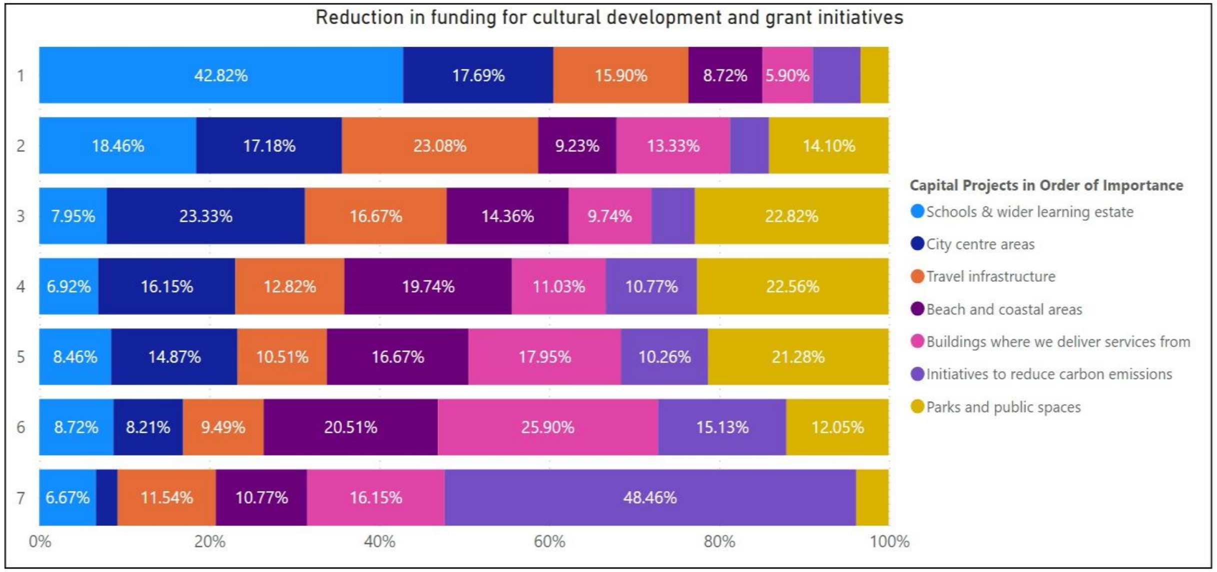




Summary from 375 comments on personal impact:

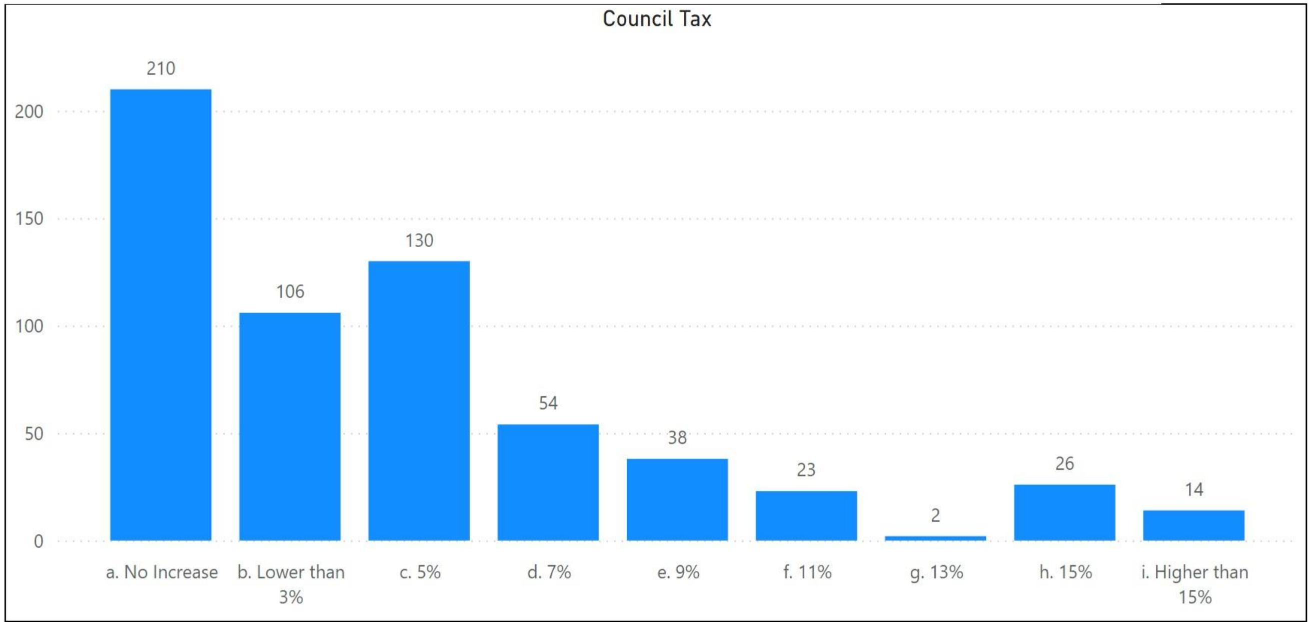
- **Safety Concerns**: Many comments highlight the increased risk of accidents, falls, and injuries, particularly among the elderly and disabled, if salt bins and bags are removed.
- **Impact on Healthcare**: Several respondents mention that removing salt bins would likely increase the burden on healthcare services due to more accidents and falls, leading to higher costs for the NHS.
- **Community Efforts**: Residents often use community salt bins to grit their local areas, ensuring the safety of their neighbours, especially the elderly and those with mobility issues.
- **Criticism of Proposal**: Many comments criticize the proposal as short-sighted and dangerous, suggesting it is not a cost-effective measure given the potential for increased accidents and healthcare costs.
- **Dependency on Salt Bins**: Numerous respondents mention that they rely on salt bins to ensure their streets and pavements are safe during icy conditions, as council gritting services are often insufficient.
- **Environmental Considerations**: One suggestion includes using more sustainable alternatives to salt, such as ash, to reduce environmental impact while maintaining safety.
- **Economic Arguments**: Some comments argue that the cost savings from removing salt bins are minimal compared to the potential increased costs from accidents and healthcare expenses.
- **Personal Impact**: Individuals share personal stories of how the absence of salt bins would affect their daily lives, emphasizing the importance of these bins for maintaining mobility and safety.

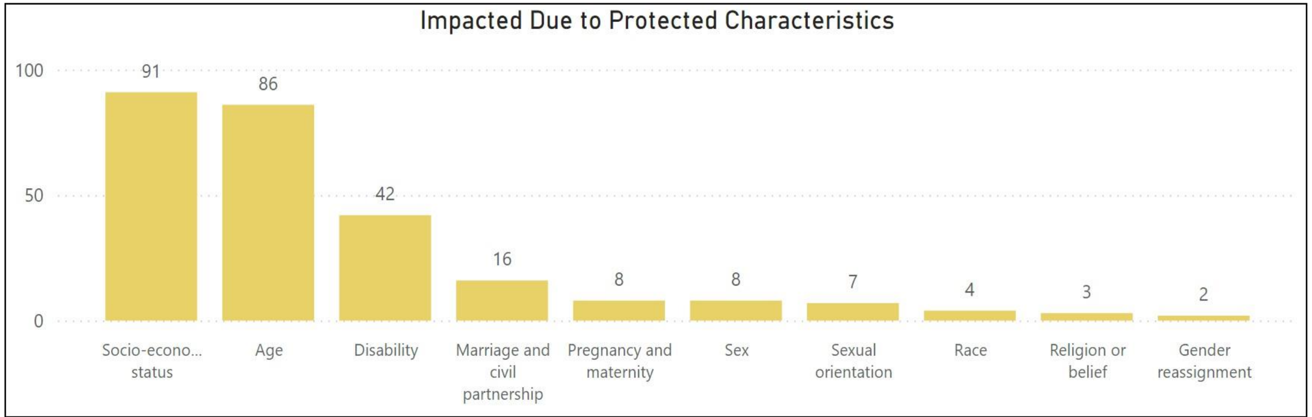
Capital Projects



Responders were asked to put these 7 options for capital projects in rank order. With 1 the most important to them and 7 least important.

Council Tax

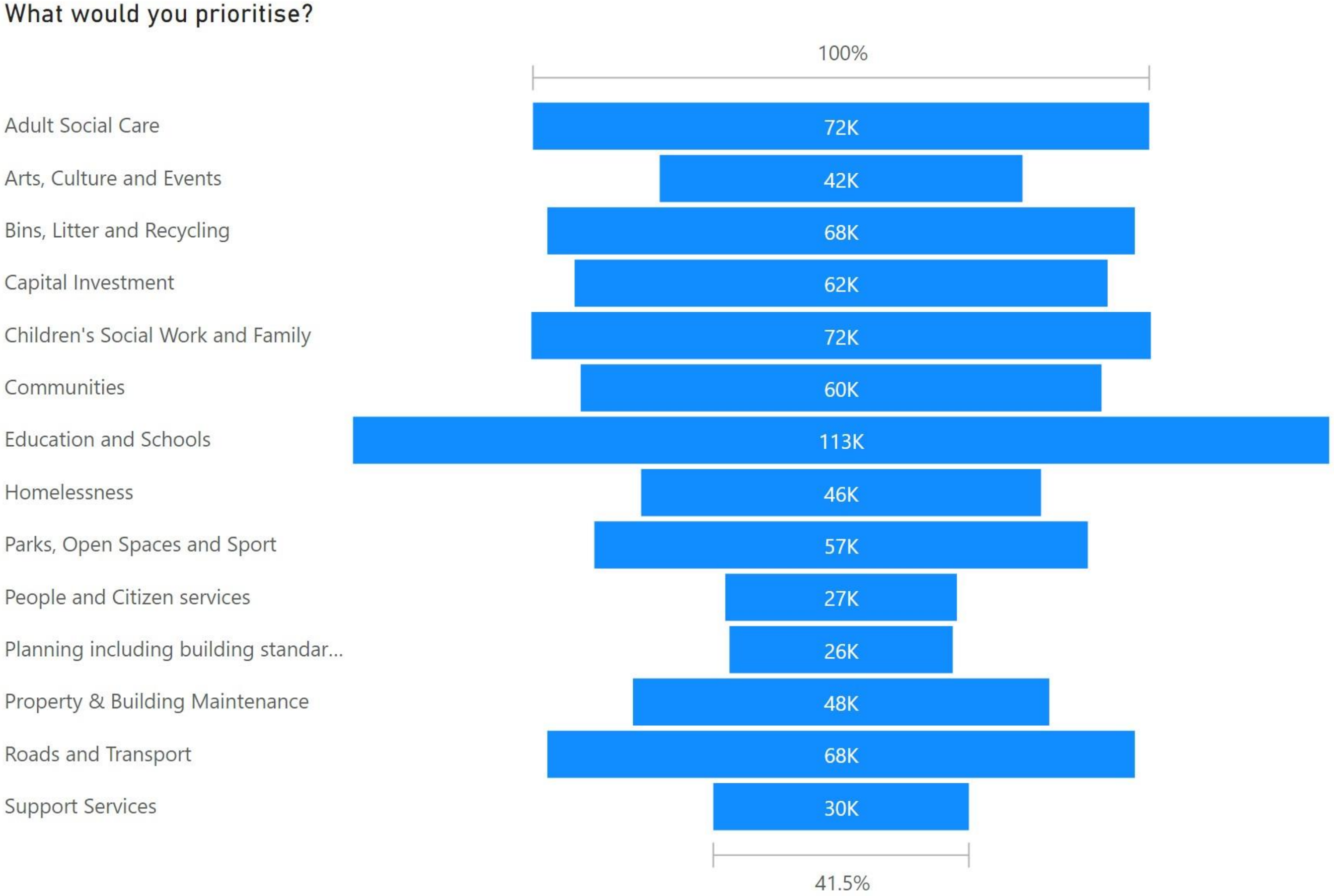




Summary from 216 comments:

- **Financial Strain on Residents**: Some commented that many residents are struggling with the current cost of living and fear that an increase in council tax will exacerbate their financial difficulties, making it harder to afford essentials like food and energy bills.
- **Impact on Low-Income Households**: Low-income families, single parents, and individuals on benefits are particularly concerned that a council tax hike will significantly impact their already tight budgets.
- **Discontent with Council Services**: Several residents feel they are not getting value for money from the council, citing poor maintenance of roads, inadequate public services, and inefficient use of funds on projects.
- **Calls for Fairer Taxation**: Some suggest that higher council tax bands should bear a larger share of the increase, while others argue for a flat rate increase across all bands to ensure fairness.
- **Suggestions for Alternative Funding**: Residents propose alternative measures such as better collection of unpaid taxes, reducing council waste, and reallocating funds from less essential projects to cover budget shortfalls.
- **Support for Service Maintenance**: Some are willing to accept a council tax increase if it means preserving essential services and improving the quality of life in Aberdeen.
- **Concerns Over Inequality**: There is a concern that the current system unfairly burdens single occupants and those in higher tax bands despite their potentially lower disposable incomes.
- **Impact of Housing Market**: Residents highlight the disparity in council tax bands based on outdated property valuations, causing inequities in tax burdens between older and newer properties.
- **Desire for Transparency**: People want more transparency and justification for any tax increases, including detailed explanations of how the additional funds will be used to benefit the community.
- **Potential for Relocation**: Some residents express that continuous tax increases without corresponding improvements in services may drive them to consider moving away from Aberdeen.

Prioritising our Money



Summary from 178 comments:

- **Homelessness and Social Care**: Many comments emphasize the need to prioritize homelessness and social care, citing antisocial behaviour in central areas and the need for better support for vulnerable populations.
- **Education and Schools**: Education is frequently highlighted as a crucial area, with concerns about overcrowded and understaffed schools and the need for better facilities and funding.
- **Infrastructure and Maintenance**: There is significant concern about the state of roads, housing repairs, and general city maintenance, with many calling for better upkeep and more efficient services.
- **Public Safety and Cleanliness**: Comments reflect a need for increased public safety measures and cleanliness, particularly in central areas plagued by drug use and antisocial behavior.
- **Against Vanity Projects**: Several respondents criticize spending on large-scale projects like the beach masterplan and cycle lanes, advocating for funds to be redirected to essential services.
- **Community and Recreational Facilities**: There is support for investing in community centres, parks, and recreational facilities to enhance community engagement and well-being.
- **Financial Transparency**: Many comments call for greater transparency in budgeting and spending, with some suggesting that current budget allocation methods are confusing and lack context.
- **Environmental Concerns**: Environmental issues, such as waste management and recycling, are highlighted as important, though some argue that climate change initiatives should be deprioritized in favor of immediate concerns.
- **Public Transport and Accessibility**: Improving public transport and road conditions is a common theme, with many advocating for better bus services and road maintenance.
- **Calls for Efficient Use of Resources**: Respondents urge the council to use resources more efficiently, suggesting measures like reducing consultant fees and subcontracting, and focusing on essential services.

Online Virtual Session – 2nd September 2024

The virtual engagement session for the budget consultation aimed to gather feedback on the proposed budget options for 2025/26 and understand their potential impacts on the community.

Participants' Concerns:

Staffing Levels and Debt Repayment: A participant raised concerns about staffing levels, noting that 60% of the budget is spent on wages, and inquired about the overall management of debt repayment. They emphasised that this area has a significant impact and inquired about the overall management of debt repayment. Additionally, participant mentioned that there have been significant staffing reductions in the past year and questioned whether this trend would continue.

Health and Social Care Impact: A participant emphasised the importance of collaboration between the council and health services to mitigate the health impacts of budget proposals. A participant also highlighted the need for visual representations of budget data to help the public understand the impact of spending decisions.

Specific Budget Options:

Car Parking Charges at Beach Blvd: A participant expressed concerns that introducing car parking charges at Beach Blvd could deter visitors, impacting local businesses and the overall attractiveness of the city.

Waste Collection Frequency: A participant mentioned that adjusting recycling and waste collections to every three weeks, as done in Aberdeenshire, might not be problematic and could save money.

Removal of Salt Bins: Participants pointed out that removing salt bins could lead to more accidents during winter, increasing the burden on health services.

Grass Cutting and Rewilding: A participant discussed the potential positive aspects of rewilding areas of the city, such as environmental sustainability and the benefits to local wildlife.

Impact on Deprived Areas:

A participant highlighted the need to consider the impact of budget decisions on deprived areas, emphasising that some areas might be disproportionately affected by changes in services.

A participant raised concerns about the impact of budget decisions on deprived areas, specifically mentioning Torry as one of the poorest areas in Aberdeen. They highlighted that there is a perception in Torry that during winter, most of the roads never get touched, and the footpaths become hazardous, leading to a high number of slips and trips. This results in increased visits to clinics and A&E, thereby shifting the financial burden to the NHS.

A participant emphasised the need for the council to consider the broader implications of their budget decisions, particularly how they affect health, well-being, and the environment in deprived areas. They also mentioned that there is a perception that Torry does not receive the same level of treatment as other areas, which contributes to a sense of inequality.

A participant supported this point by discussing the importance of collaboration between the council and health services to mitigate the health impacts of budget proposals. A participant also highlighted the need for visual representations of budget data to help the public understand the impact of spending decisions.

Overall, the concerns raised during the session reflect a need for the council to carefully consider the impact of budget decisions on deprived areas and to ensure that these decisions do not disproportionately affect the most vulnerable communities.

Capital Programme and Debt:

Managing Capital Projects: A chief officer explained the council's approach to balancing new projects with the maintenance of existing infrastructure, emphasising the need to gather feedback on what the community considers important.

A participant raised concerns about debt repayment. They inquired about the overall management of debt repayment, asking how the debt is being managed and in which direction it is going.

Third Sector Involvement:

Mitigating Public Sector Cuts: A participant highlighted the importance of the 3rd sector in mitigating the impact of public sector cuts and suggested the council consider wider consequences of reductions.

Consultation Participation:

Broader Public Engagement: Participants noted the need for broader public engagement in the consultation process, including reaching out to younger people and marginalised communities.

Visual Representation of Data:

Understanding Budget Impact: A participant suggested that the council provide more visual representations of budget data to help the public understand the impact of spending decisions.

Online Virtual Session – 4th September 2024

At the virtual engagement session for the budget consultation, various officers and participants discussed the impact of potential budget cuts on community services and funding.

Concerns About Digital-Only Services: Participants expressed concerns about the accessibility of digital-only services, especially for older and disabled individuals who may struggle with online systems. This could create barriers for individuals who struggle with online communication or prefer face-to-face interactions. A participant highlighted that many community members find it challenging to communicate online or over the phone, especially when dealing with sensitive issues like financial struggles.

Street Lighting and Safety: Concerns were raised about the proposal to dim street lighting, with participants noting potential safety issues during early morning and late-night hours.

Early Years Provision: A participant inquired about potential reductions in early years provision, particularly regarding eligible two-year-olds and the associated challenges.

School Hours Reduction: Discussions about reducing school hours focused on the potential impact on working parents, after-school care, and children with special needs.

School Meals and Holiday Funding: Participants discussed the importance of school meals and holiday funding for low-income families, emphasising the need to maintain these services to support children's nutrition and reduce vandalism.

The Fairer Aberdeen Fund: A reduction in the Fairer Aberdeen Fund would significantly impact community services, including those supporting poverty alleviation, employability, and food banks. A reduction in funding would end the No Recourse to Public Funds Tackling Destitution project, which provides training for public and third sector organisations and addresses gaps in support for victims of gender-based violence, people seeking asylum, and international students. A reduction in Fairer Aberdeen Funding would have a significant impact on these services, affecting families who rely on food banks and other community support. A participant mentioned that the fund supports the Big Bang drum group, which is particularly beneficial for children with additional support needs. Cutting this fund would mean losing this valuable service. The fund also supports partnerships with other community organisations, and a reduction would impact the ability to provide varied opportunities and services to the community. Discussions focused on the potential impact of cuts to the Fairer Aberdeen Fund on various community projects, including those supporting poverty alleviation, employability, and food banks.

Participants expressed concerns about the impact of budget cuts on services for disabled individuals, including:

<u>Concerns About Digital-Only Services</u>: Participants highlighted that many disabled individuals struggle with online communication or prefer face-to-face interactions. The proposal to make non-emergency services accessible only through digital channels could create barriers for these individuals.

Housing Benefit: A participant raised concerns about the potential impact of budget cuts on housing benefits for disabled individuals. Emphasising that any reduction in housing benefits could lead to homelessness, which would be particularly detrimental for disabled individuals.

BSL Session at Town & County Hall – 10th September 2024

A face to face engagement session for the budget consultation with British Sign Language (BSL) translation, various officers and participants discussed the impact of potential budget cuts on community services and funding. Contributions from participants provided the following feedback:

<u>Reduce Cultural Development & Grant Initiatives</u> – A participant stated that reducing grants would have a significant impact on the wider community. Projects support many groups including those with dementia. Reducing grants would add additional demand and strain on other services, organisations (NHS, Education, 3rd Sector) and adverse knock-on costs. It would also reduce sense of community, retention of jobs and talent.

<u>Aberdeen Performing Arts</u> – A participant believed this have a wider negative community impact.

<u>Fairer Aberdeen Fund</u> – A participant stated that the Fund was gold dust to many organisations who have limited staffing as it is. They asked if there was a method to truly comprehend the wider ramifications of this option, stating that, options should consider both direct and indirect effects.

<u>Fairer Aberdeen Fund</u> – Another participant stated that removing this would will generate more costs in the future.

<u>Education</u> – A participant argued that teachers might leave the profession because of additional workload.

<u>School reduction in hours</u> – Parents might need to seek different jobs to align with school hours and could face longer commutes, possibly needing to travel from areas like Aberdeenshire. They believed the proposal would most likely effect women employment as well as families. It may increase in crime due to boredom. They stated that it would impact staff because fewer would be needed. Impact families who can’t afford to pay for children clubs, with more people pushed into disadvantage.

They suggested looking at a different model in Japan which has an optional extra. Increase extracurricular, alternatively think of a broader option that can fill the 2.5 hours. This might come from another fund and involve the 3rd sector. This might support working parents. They believed this would impact low- and no-income families most.

<u>School reduction in hours</u> – Officers gave examples of how this proposal might look. A participant raised the following potential impacts: On parents: Working families face stress and might reduce work hours, potentially leading to fuel poverty. Low-income families and single parents could also be adversely affected. Suggested supporting student [teachers] to cover the time e.g. with sports, beneficial for both parties. Impact would be on colleges and universities with children’s literacy in early years, on children going on trips to beach, learning other things. Impact on staff – stress / mental health at risk of job cuts. Teachers might give up with workload and this might be a risk for jobs, particularly women. Impact on families: will increase stress resulting in an increase in mental health. Worry for the children, this would cause additional stress, would impact on long term outcomes, by putting children’s future and careers at risk. A participant asked is there would be an option for cutting subjects. It was confirmed that this wasn’t planned.

<u>School reduction in hours</u> – Another participant expressed concern, indicating that this may lead to increase in crime due to boredom. They felt there should be other ways of keeping those hours, suggesting other partners come in and support schools. They highlighted the need for specialist teachers and

that due to the extra support that deaf children need, they would be hit harder by this proposal. This would apply to other children with Additional Support Needs. The participant was concerned that the impact of cuts in England would be seen in Aberdeen and that children with a disability need the extra support. They also felt that this would impact support staff, and non-teaching staff, as well as on parents who may need to adjust their hours.

<u>Free school meals</u> – A participant felt that young people depend on this meal and that some don't get it at home. This, they said, would impact on families in poverty and especially on deaf children.

<u>Remove face to face pay points</u> – Concern for people with disabilities, it's not accessible. People in poverty won't have technology, limited money. Deaf people will struggle significantly with this. One centre point is not an option for deaf / blind.

<u>Rationalisation of the early learning childcare provision in the City</u> – will impact those who can't travel to further away schools, poverty.

<u>Reduction in funding to Visit Aberdeenshire and Local Visitor Levy</u> – A participant expressed concern about the range of things for visitors and tourists to do in Aberdeen already and that there should be more available year round. They also thought the proposal would impact businesses.

<u>Parks and capital programmes</u> - A participant stated that tourists in Aberdeen have nothing to do and that proposed budget cuts would make it worse. They referenced the beach leisure centre.

<u>Parks & Green spaces</u> – They raised concerns about reductions to retaining and maintaining parks and green spaces and the potential for increasing industrial space which could have an impact on health and wellbeing.

<u>Webcasting</u> – A participant stated that not everyone can attend meetings and referenced Nolan principle of public life, giving people the right to view.

<u>Waste & Recycling</u> – They suggested that waste policies options should be reviewed and that recycling centres next to school are harmful and was poor planning by the council. They suggested the council look at models from abroad (such as Italy) for recycling and waste.