

## ABERDEEN CITY COUNCIL

---

<b>COMMITTEE</b>	City Growth and Resources
<b>DATE</b>	10 November 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Medium Term Financial Strategy for the Council's General Fund, 2021
<b>REPORT NUMBER</b>	RES/21/295
<b>DIRECTOR</b>	Steven Whyte
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Jonathan Belford
<b>TERMS OF REFERENCE</b>	2.1.5

---

### 1. PURPOSE OF REPORT

- 1.1 The purpose of a Medium Term Financial Strategy (MTFS) is to pull together in one place all known factors affecting the financial position and financial sustainability of an organisation over the medium term. Furthermore, the purpose is to draw out the scenarios that the Council faces and to describe the approach to addressing the conclusions.

### 2. RECOMMENDATION(S)

That the Committee: -

- 2.1 Approve the Medium Term Financial Strategy for the General Fund 2021;
- 2.2 Note that the 2022/23 Budget will be discussed and set by the Council on 7 March 2022;
- 2.3 Note the initial data presented in relation to the Council's Financial Resilience Framework and instruct the Chief Officer – Finance to continue to develop the Framework; and
- 2.4 Agree that an update on the Financial Resilience Framework be provided by the Chief Officer – Finance in the annual Budget report to Council, to help support financial decision making.

### 3. BACKGROUND

- 3.1 The Council's MTFS was approved by the City Growth and Resources Committee on 28 October 2020, with the financial forecasts updated as part of the budget setting process for financial year 2021/22, approved in March 2021.
- 3.2 Having this overarching document is important in a changing and increasingly more complex and uncertain environment that the Council operates. An update

of the Medium Term Financial Strategy for the Council's General Fund has been completed and is attached as Appendix 1.

- 3.3 This is to provide the Committee with an overview of the financial situation and how this is evolving in these uncertain times, to consider how sensitive the financial situation is to changes in income and exposure to demand and inflation.
- 3.4 The strategy draws on a range of information and data and relies on scenario planning to express a range of financial consequences that will only become certain with actual experience and with more and better information over time.
- 3.5 The strategy sets out a range of principles for income, expenditure and capital investment that are designed to support financial resilience and financial sustainability, these are included at paragraphs 1.13 to 1.15 of the Strategy.
- 3.6 The question of financial resilience is one that continues to be very important to local government. The report on the MTFS last year instructed the Chief Officer – Finance to develop the framework for financial resilience and this was reported to the City Growth and Resources Committee on 10 August 2021, as part of the Quarter 1 Financial Performance Report.
- 3.7 The Financial Resilience Framework that was approved has been populated with information from the Council's Annual Accounts, for the three years up to 31 March 2021. The information is therefore the cumulative effect of decisions taken over many years and does not by itself reflect what the future position may look like. I have made reference to the table at 6.36, of Appendix 1, to whether the ratio appears to be stable or improving or if we should be watching it etc. The figures on their own provide information but insufficient insight to help make decisions at this time. From the information provided it is clear to me that the benefits from having this data are yet to be fully realised, with further work and comparison required.
- 3.8 I continue to develop the various strands of the framework and will provide further commentary and data as part of the 2022/23 budget setting process. There is an opportunity for further work to be completed in conjunction with partners, where comparison of data will provide a greater depth of understanding and insight to help the Council make its financial decisions. I will continue that development work in the coming months and will report on this as part of the budget process for 2022/23.

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

- 4.1 There are none arising directly from the report, the Medium Term Financial Strategy 2021 sets out the financial implications for the Council's General Fund and will be the financial parameters within which the annual budget setting process will be undertaken.

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

- 5.1 While there are no direct legal implications arising from the recommendations of this report, there are additional reporting requirements due to the London Stock Exchange listing, for example the requirement to notify them ahead of publication of the report.
- 5.2 The Council has a statutory duty to set Council Tax and a balanced budget and the Strategy sets out the related challenges and the parameters within which this will have to be done.

## 6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
<b>Strategic Risk</b>	Failure to recognise the consequence of the economic and local circumstance could lead to poor use of resources	L	The Strategy is in place to look forward into the medium term and plan for the future to improve the likelihood of resource allocation being aligned to strategic outcomes.
<b>Compliance</b>	Failure to set balanced budget.	L	A robust process is in place to ensure budgets are prepared and presented for approval by the Council at the start of March.
<b>Operational</b>	None identified		
<b>Financial</b>	The assumptions are insufficiently sensitive to the situations that might arise, resulting in a larger financial challenge.	M	The strategy is based on scenarios that present a range of potential impacts for the Council's finances. It will be kept under review.
<b>Reputational</b>	There is a risk that through the reduction of expenditure the Council may be criticised that spending isn't in line with public expectation of service delivery.	M	The Council has continued to address priority spending areas, and to protect people. It is equally accountable for the use of public funds and to ensure that they are managed robustly. There are a wide range of unknown external factors that require to be balanced to deal with the current operating environment. Regular reporting during the year provides an ongoing description of the position

			the Council is in and the situations it faces.
<b>Environment / Climate</b>	None identified		

## 7. OUTCOMES

<u><b>COUNCIL DELIVERY PLAN</b></u>	
<b>Impact of Report</b>	
<b>Aberdeen City Council Policy Statement</b>	<i>Financial planning, budget setting and resource allocation are all enablers for the delivery of the outcomes and regular performance reviews ensure that the Council's stewardship and financial management are robust.</i>
<b>Aberdeen City Local Outcome Improvement Plan</b>	
Prosperous Economy Stretch Outcomes	The Council continues to invest in front-line services across its statutory responsibilities as well as capital infrastructure. Investment in the city will have a positive impact on the economy.
Prosperous People Stretch Outcomes	Robust and effective management of the Council's finances will ensure that services can continue to be provided.
Prosperous Place Stretch Outcomes	Investment will enhance the place by creating a better and more vibrant city in which to live.

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	not required
<b>Data Protection Impact Assessment</b>	not required

## 9. BACKGROUND PAPERS

None.

## 10. APPENDICES

Appendix 1 – Medium Term Financial Strategy for the Council's General Fund

## 11. REPORT AUTHOR CONTACT DETAILS

<b>Name</b>	Jonathan Belford
<b>Title</b>	Chief Officer - Finance
<b>Email Address</b>	jbelford@aberdeencity.gov.uk