MEDIUM TERM FINANCIAL STRATEGY FOR THE COUNCIL'S GENERAL FUND, 2023

BON ACCORD

ABERDEEN CITY COUNCIL

Contents Page

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 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 has been 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 does not appear to be short term, and will have an impact for the foreseeable future.

1.10 The associated emergence of inflation levels that the country has not seen for forty years, makes the task of medium and long-term financial planning even more challenging. The impact of higher costs from pay and prices is adding cost to the Council that changes the baseline, meaning the Council has to deal with future cost pressures on top of current costs that are higher than forecast. This arises, for example, from a mismatch between actual and assumed inflation.

1.11 The national need for financial support shifted last year to addressing the 'Cost of Living Crisis' with billions of pounds being spent last year by the Chancellor in making payments to support the most vulnerable people from the effects of energy increases and inflation in their daily lives. The affordability of that nationally is not sustainable and more targeted support is being provided rather than universal provision. This 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 latest information made available by the Scottish Government was on 25 May 2023, when it published its Medium Term Financial Strategy[2]. This provides the context for the Scottish Budget and the Scottish Parliament. This updates 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[4].

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 describes the "difficult decisions needed…to restore economic stability, support public services, and lay the foundation

[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 2022/23, September 2022

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

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 This medium-term strategy sets out assumptions based on all of this latest data regarding the ongoing, now limited impact of the Covid-19 pandemic, and more significantly the financial environment of high inflation and rising demand, particularly from our local population, in terms of financial year 2023/24 and then goes on to make some informed assumptions for financial years 2024/25 – 2027/28.

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[6]) may present – "From this point onwards, the default position will be no ring-fencing or direction of funding."
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] New Deal with Local Government, June 2023, Verity House Agreement

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 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[7].
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.
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.

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

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:*

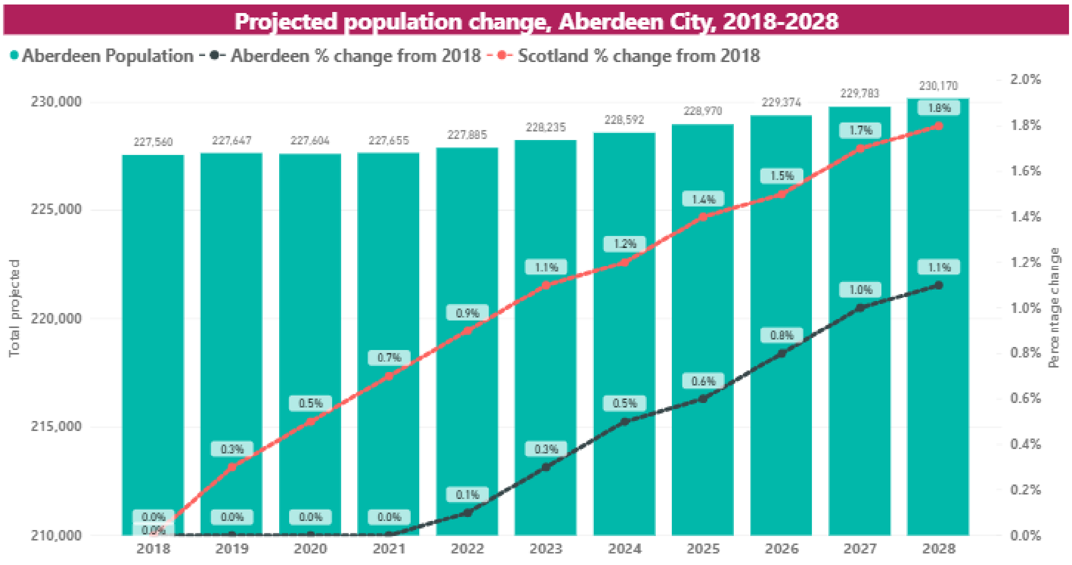
1) Capital investment must be prudent, affordable and sustainable, as defined by the Prudential Code.
2) The business case methodology must be used to document capital investment opportunities.
3) Revenue implications of capital investment opportunities must be identified and agreed with the Chief Officer – 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.

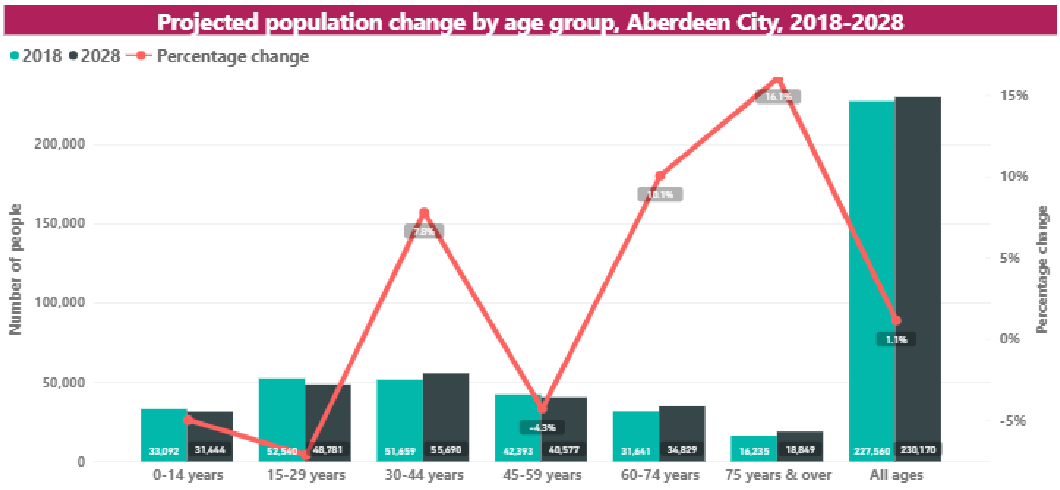
1.21.2 Population – Due to the delayed Census, the most recent population figures, published by National Records of Scotland (NRS), are for 2021 (updated figures due in Autumn/Winter 2023). The estimated population of Aberdeen in 2021 was 227,430.

The figure below shows the most recently available population projections for the City and Scotland, as published by National Records of Scotland (NRS). However, these projections are based on 2018 data (NRS have delayed their planned update). This is now due during 2023. The estimated actual population for the city in 2020 was c.1,500 above these projections.



Source: National Records of Scotland, Population Projections for Scottish Areas (2018-based). Updated March 2020.

1.21.3 The age structure of the City's population is projected to show a decline of 5% in those aged 0 -14 years and 7% of those aged 15 – 29 years over the next 10 years. Whilst increases of 10% and 16% respectively are projected for those aged 60 – 74 years and those aged 75+ years. This brings different challenges for the distribution of resources.



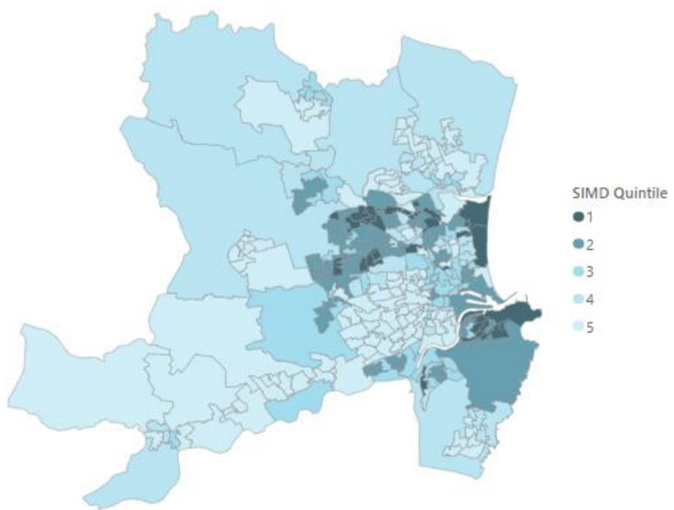
Source: National Records of Scotland, Population Projections for Scottish Areas (2018-based). Updated March 2020.

1.21.4 <u>Housing</u> – In 2022 there were 123,363 dwellings in Aberdeen City – an increase of 1,121 (0.9%) on the number of dwellings in 2021. Whilst there is a considerable demand for housing in Aberdeen, in 2022, the average purchase price for a residential property in Aberdeen City was £187,169 – down from £193,402 in 2021 and considerably lower than the 2015 peak of £220,665. The number of properties sold in 2022 decreased slightly from 4,799 in 2021 to 4,729 in 2022. In 2022, the average monthly rent in Aberdeen City and Shire (Broad Rental Market Area) was £469 for a one-bedroomed property, £663 for a 2-bedroomed property, £931 for a 3-bedroomed property and £1,371 for a 4-bedroomed property. These were broadly similar to the average rents in 2021 with the exception of 4-bedroomed properties which increased from £1,319 in 2021. 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. The Population Needs Assessment prepared in advance of the review of the City's Local Outcome Improvement Plan in 2021 highlighted the following key points:

- the impact of the pandemic has been, and will continue to be, felt unequally. This is likely to contribute to greater levels of poverty, inequality and associated vulnerabilities.
- a significant and potentially rapid decline in the working age population is anticipated.
- the city is projected to be amongst the worst affected areas for economic downturn and potential job losses, however, there are still strong economic foundations which can be supported by investment in key infrastructure and a focus on skills, energy transition & diversification.
- rapid and far-reaching change is required to reach the target of net zero by 2045.

Areas of Multiple Deprivation 2020



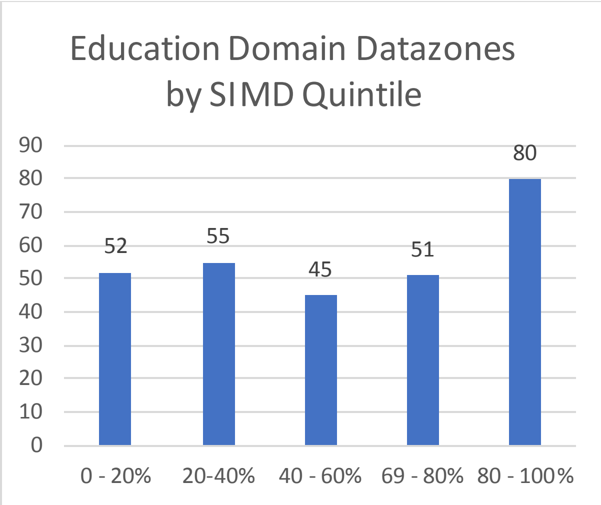
1.21.6 Education - Significant investment has been made, and continues, to modernise the city's school buildings. In line with falling population projections and the potential increase in digital methods of learning, the school estate will continue to be reviewed to ensure it matches future levels and 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.

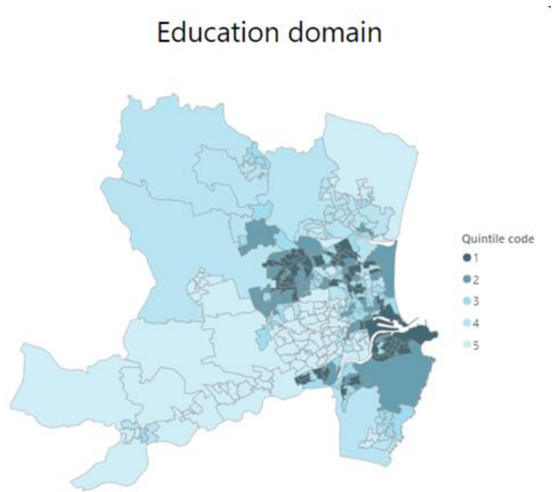
1.21.7 There has been a considerable rise in demand for education and children's services. In 2022/23 there were 14,573 primary school pupils, compared to 14,084 in 2021/22 and 10,430 secondary pupils, compared to 10,041 in 2021/22. There were also 140 pupils enrolled in Special Schools. 36.5% of primary pupils and 43.5% of secondary pupils had additional support needs. The most common reason for support for both primary and secondary pupils was English as an additional language. In 2022, 6,294 (25%) of all pupils in Aberdeen City did not have English as their main home language. The five main home languages (other than English) are Polish, Arabic, Russian, Urdu and Ukrainian (Scottish Government, 2023). There has been a notable decrease in the number of children transitioning into private education and increasing evidence of families returning to Local Authority schools.

1.21.8 Recent evidence from school rolls shows an increase in the number of children coming to the city with parents, who are studying at the two Universities, the surprisingly large numbers have been seen as the world emerges from the Covid-19 pandemic and students and study programmes catch up. It is understood that the Universities will continue to seek to attract foreign students, the impact on school populations is unlikely to be at its peak yet.

1.21.9 Add to this the fact the Council has proactively supported those seeking sanctuary in the city because of conflict, for example from Ukraine or Syria. The city now supports a high proportion of those in need of humanitarian aid. The Russian invasion of Ukraine has seen over 1,800 refugees arrive in Aberdeen, creating more demand for the services with particular emphasis on schools. With the war continuing it is unclear how long the demand will remain or how much further the numbers will rise.

1.21.10 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.





1.21.11 Children's Services - 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).

1.21.12 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. The age and stage of some is unclear with comprehensive age assessments being required to determine the level of support required. This assessment process places considerable pressure on children's social work services.

1.21.13 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. As would be anticipated, there is a level of need apparent in those seeking sanctuary in the city.

1.21.14 It is exceptionally difficult to predict ongoing demand with any certainty. Hotels can be secured for asylum dispersal schemes at short notice with limited information about the age and stage of those being placed locally. Services continue to be proactive in their response.

1.21.15 Employment - The labour market in Aberdeen has seen both challenges and positive developments in recent times. In 2022, the employment rate was 71.2%, marking its lowest level since 2016, while Economic Inactivity reached a record high of 24.9%. One particularly affected group has been young people, with the youth employment rate (age 16-24) falling by nearly 10 percentage points to just over 50% during the pandemic, although it has since recovered. Prior to the pandemic, Aberdeen's youth employment rate stood among the highest rates of all local authorities in Scotland, at over 70%, but it declined sharply to below 40% by mid-2022. Despite these challenges, North East Scotland has one of the highest densities of private sector employment in Scotland. Throughout the pandemic, Aberdeen experienced a slower recovery in job postings compared to other major cities and the overall Scottish average. However, since August 2022, Aberdeen has surpassed its pre-pandemic level of job postings, reaching a recent high in June 2023.

1.21.16 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. Aberdeen City has 11th highest rate of claimant count receipt as a proportion of working age population of the 32 Scottish local authorities.

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[8], 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."[9]

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 this year. Implications that remain in 2023/24 are the 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

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

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

living crisis, a high inflation environment and local economy that has not yet returned to past 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 2023/24 then there must be concern over the adjustments that are needed to correct this in 2024/25 and beyond.

1.22.6 That said, the latest Scottish Government forecast[10] shows that the NDR pool will increase by 9% in real terms over the next four years, showing more modest optimism than a year ago when 20% increase was 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[11] 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.[12] 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."[13] On fuel and energy costs "…there is concern that the energy crisis will have decreased the likelihood that these targets[14] [for reducing fuel poverty] will be met."

---

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

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

[12] 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

[13] 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

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

1.23.3 The report[15] 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."[16]

1.23.4 The type of pressure being felt in Aberdeen City is extracted from the report[17], where the comparison across all Local Authorities can been seen.

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, have led to a massive rise in inflation and a cycle of market and price volatility and shortages across many commodities which is having a negative impact on the delivery of capital projects, on

---

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

[16] 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

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

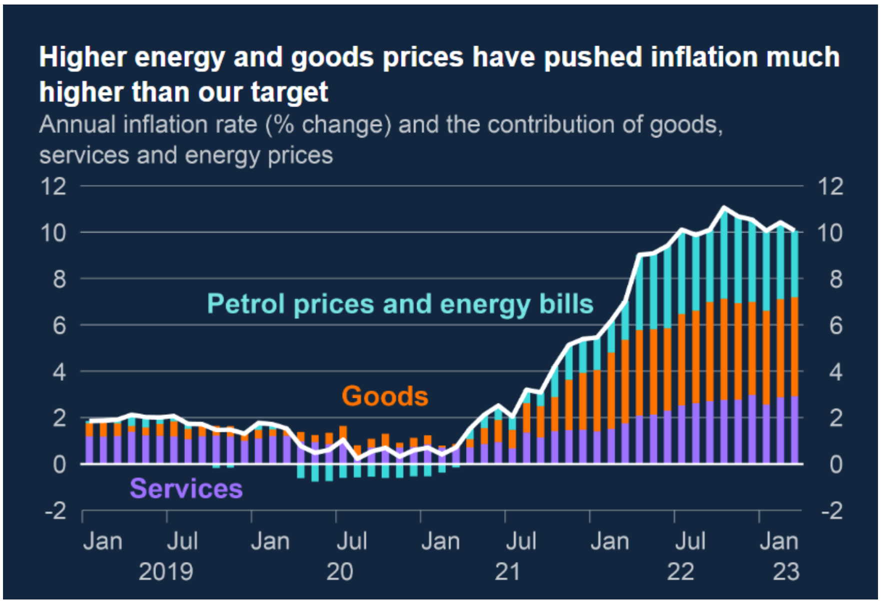
budgets (General Fund and HRA), on revenue expenditure in the delivery of services and procurement processes carried out for affected commodities.

1.24.2 According to the Bank of England[18], "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. 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 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: Inflation (CPI) General Composition, Bank of England, May 2023



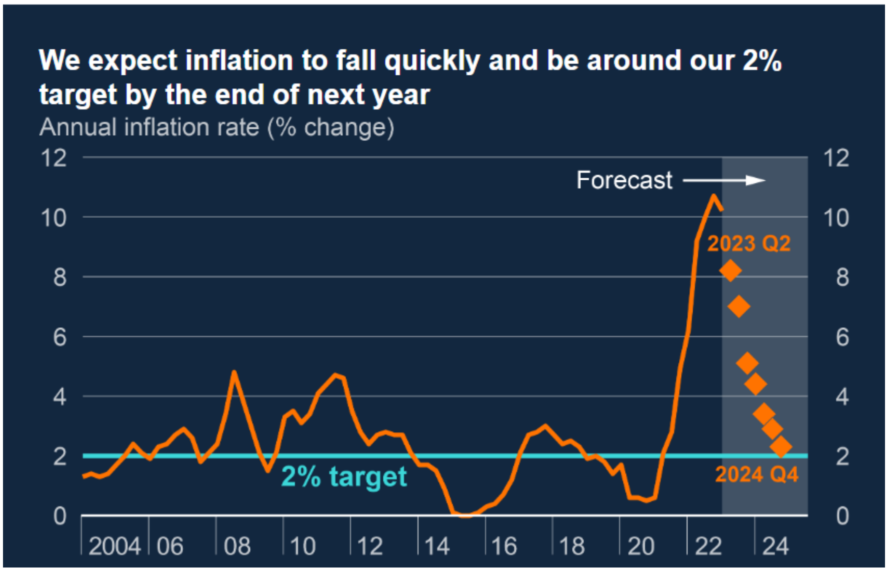
1.24.5 A forty-year high inflation across many parts of the world, including the UK, is presenting a significant challenge for organisations. The Monetary Policy Report[19] published by the Bank of England in May 2023 estimates that inflation peaked last year and that it will fall to around 5% by the end the calendar year and the economy is growing slowly. For June 2023 the rate of inflation (CPI) was at 7.9%, down from

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

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

8.7% in May. The chart below from the report shows that inflation is anticipated to fall next year and be within the 2% target level by late 2024:

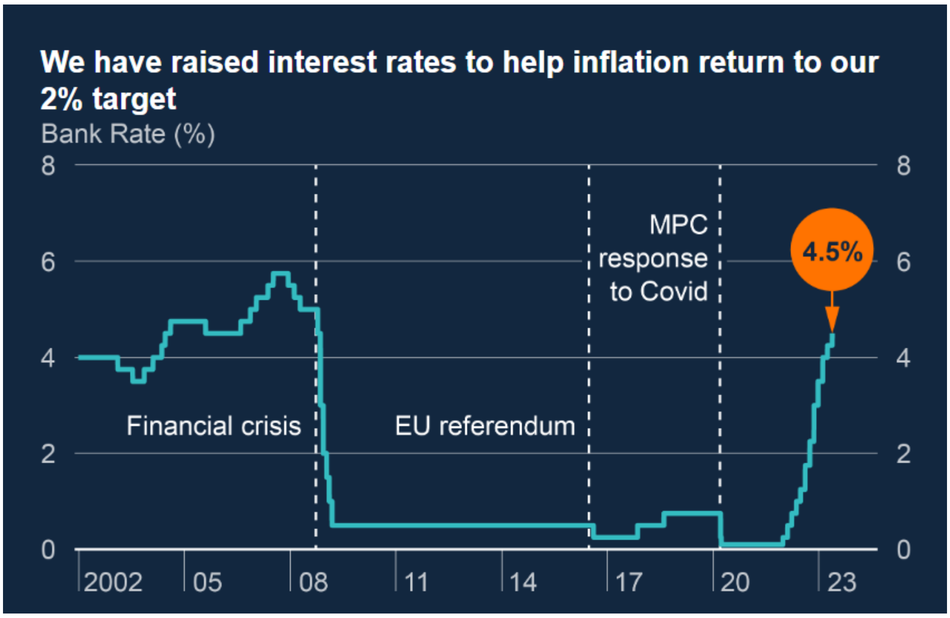
Chart 2: Inflation (CPI) Forecasts, Bank of England, May 2023



1.24.6 Lowering 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."[20]

1.24.7 The Bank of England, in response, has increased the base interest rates for bank lending frequently since January 2022 to control inflation. The rate is now 5.00% (up from 0.25% in January 2022, and from 1.75% a year ago).

Chart 3: Bank of England Base Rates (%), May 2023



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

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."

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, and this has a full year effect in the current year. 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 over the last two year that the Council has been able to avoid spending. This remains available as earmarked reserves on the Council Balance sheet at the end of March 2023, with the former Covid-19 funding being substantially reduced in 2022/23.

1.26.2 The Scottish Government has approved a few fiscal flexibilities over the last two 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 2023 that commitment was met, with £12m 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 In response to potential local government savings proposals in schools for 2023/24 an unprecedented level of direction was introduced by the Scottish Government, making it clear that the financial settlement now contains a reduction in funding for failure to maintain teacher numbers and also pupil support assistant (PSA) hours in schools. The financial penalty has been implemented immediately as part of the cash payment arrangements, with £45.5m going undistributed to Councils until figures have been collated later in the year following the annual census. This means that the Council is not being paid c.£1.6m of funding that it is relying on to deliver services, and will only know for certain if it will receive that funding towards the end of the year and in any case will only receive the cash in the last two weeks of the year as part of the annual redetermination process.

1.27.2 This may represent a very small proportion of the funding that the Council receives but it does signal the additional risk being placed on Local Government, that it remains more and more difficult to implement savings due to Scottish Government direction. Fixing teacher and PSA costs at a minimum level fixed a level of expenditure that cannot be reduced. If you add in the constraints of conditions to not reduce (and increase) Health and Social Care Partnership Integration Joint Boards (IJB) funding then opportunities for savings are highly constrained.

1.27.3 The Verity House Agreement, signed in June 2023, between Scottish Government and Local Government under the New Deal for Local Government I trust will seek to address the conditionality, alongside the ring-fencing of grant funding as the relationship and ways of working develop. To work in an environment where there is the threat of funding 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 has 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 in the last year and for 2023/24, 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 Governments Resource Spending Review, published in May 2022, and nothing contrary included in 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. 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 2024/25, 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. Consultation on changes to Council Tax bands E-H would increase charges to those in larger/more valuable properties with a view to being introduced in 2024/25, additional income of c.£8m (gross) before any distribution effects are taken account. If introduced in law then the Budget report for 2024/25 will reflect the implications.

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 2024/25 budget [and indicative budgets for the four subsequent years] will be submitted to council's budget meeting in February 2024. 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 2023.

2. THE FUNDING CONTEXT BEYOND 2023/24

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. The impact of which is being felt by all but for a very few, through higher costs from energy, from food and day to day living costs, from pay not matching or keeping up with rising prices and from the higher cost of housing, directly for those with variable / tracker mortgages and those renewing fixed rate mortgages; and indirectly through private landlords passing on their cost increases to tenants.

2.1.2 The impact of the global pandemic, while now officially over[21], has brought about global changes in how we live our lives and the corresponding consequences on business 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 has brought untold human misery to the people of Ukraine, caught up in a conflict that continues today, with no end in sight, and the UK has received .

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

2.1.5 The OBR[22] observed that "A fortnight into the invasion, gas and oil prices peaked over 200 and 50 per cent above their end-2021 levels respectively." The UK being a net importer of energy, higher global prices for energy will weigh-down a UK economy that is only just getting back to pre-pandemic levels.

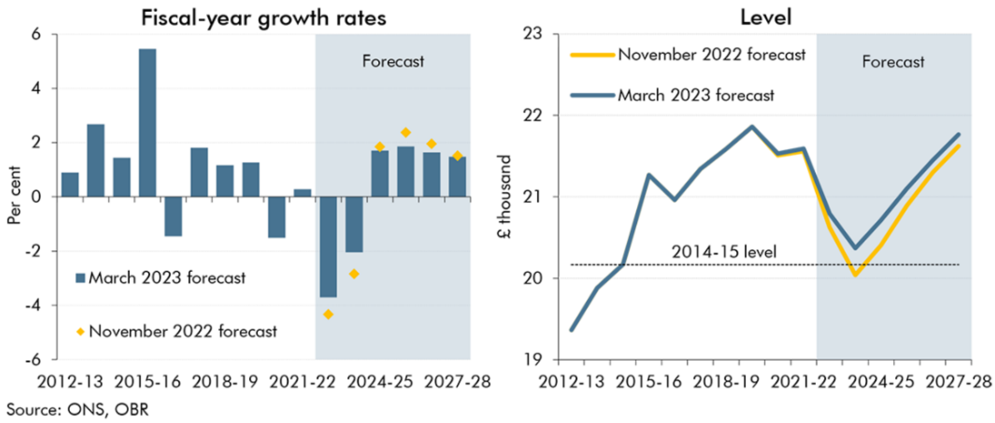
2.1.6 The extent of the impact on the supply chain, the cost of commodities and inflation was reported to the City Growth and Resources Committee and detailed the impact that the volatility was having on the Council. The real impact is not only being experienced by the public sector, but for individuals, families, businesses, in fact everyone, the added costs are very real. The squeeze on household and business incomes does not make for good reading as a cost of living crisis emerges and continues to deepen.

[21] World Health Organization (WHO), Coronavirus Disease (COVID-19) pandemic, May 2023

[22] OBR, March 2022, Economic and Fiscal Outlook

2.1.7 The OBR[23] forecast that real household disposable income per person – a measure of real living standards - will fall by a cumulative 5.7% over 2022/23 and 2023/24. Lower than previous forecasts, it would still represent the largest fall since records began (1956/57). And this is going to take time to reverse with “living standards still 0.4% lower than their pre-pandemic levels in 2027/28.”

Chart 4: Change in real household disposable income per person

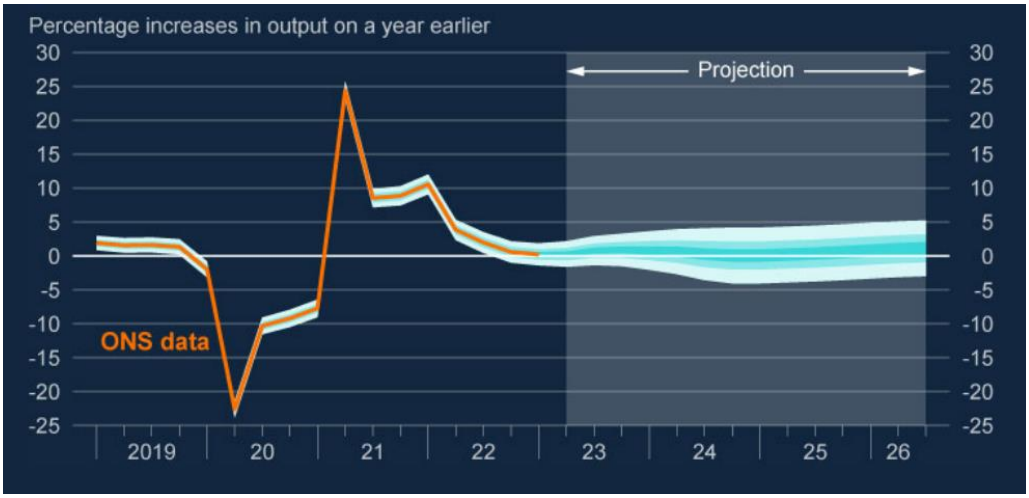


2.1.8 Last year this report referenced the Bank of England forecast that the UK will enter recession[24] however this year the economic picture has changed and in the Bank of England’s Monetary Policy Report, August 2023, recession is not mentioned. Instead it is tempered with a conclusion and key judgement that “past increases in Bank Rate, and the higher path of market interest rates on which the forecast is conditioned, weigh to an increasing degree on the UK economy in coming quarters. GDP growth remains below pre-pandemic rates in the medium term, also reflecting relatively weak potential supply and a waning boost from fiscal policy.” That higher path of interest rates is partially offset by the continued resilience of economic activity over the last few months.

[23] OBR, March 2023, Economic and Fiscal Outlook

[24] Bank of England, August 2022, Monetary Policy Report

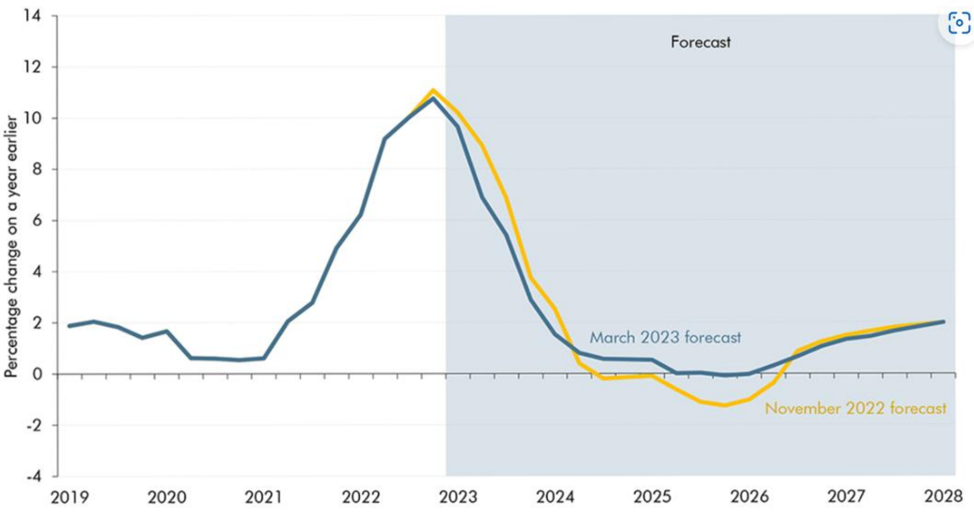
Chart 5: GDP growth projection based on market interest rate expectations, other policy measures as announced



Source: Bank of England

2.1.9 Consumer Prices Index (CPI) peaked in October 2022, however has remained difficult to bring under control, and this has seen the Bank of England increasing bank interest rates month on month for over a year. The latest forecasts by the OBR[25] show the difference that exists now between their forecasts made in November 2022, with an expectation of a slightly faster return towards the Bank of England target of 2%. As at June 2023 the actual figure for CPI was 7.9%, down from 8.7% in May 2023.

Chart 6: CPI Inflation



Source: ONS, OBR

2.1.10 The Bank of England, in their August 2023 Monetary Policy Report[26] forecast that inflation (CPI) will continue to fall, to an average of 6.9% in third quarter of 2023 and

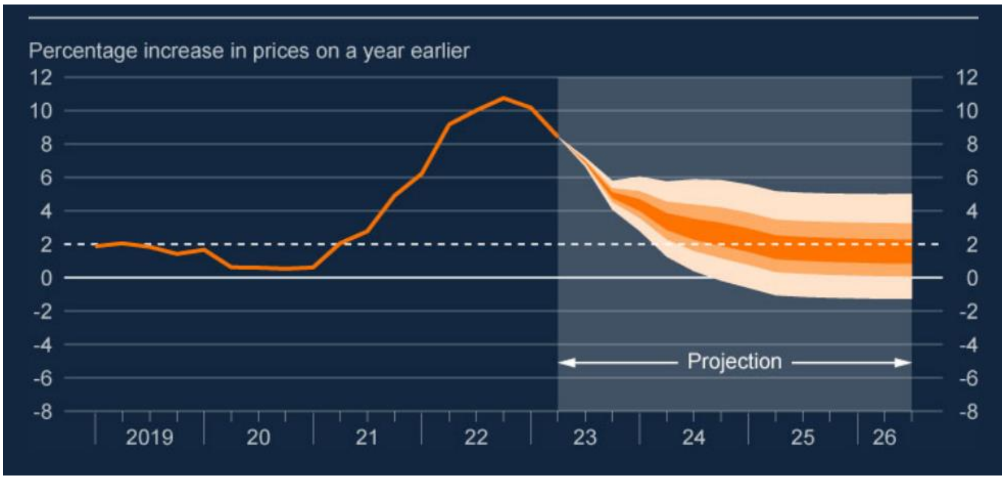
[25] OBR, March 2023, Economic and Fiscal Outlook

[26] Bank of England, August 2023, Monetary Policy Report

4.9% in the final quarter. That "decline is expected to be accounted for by lower energy, and to a lesser degree, food and core goods price inflation."

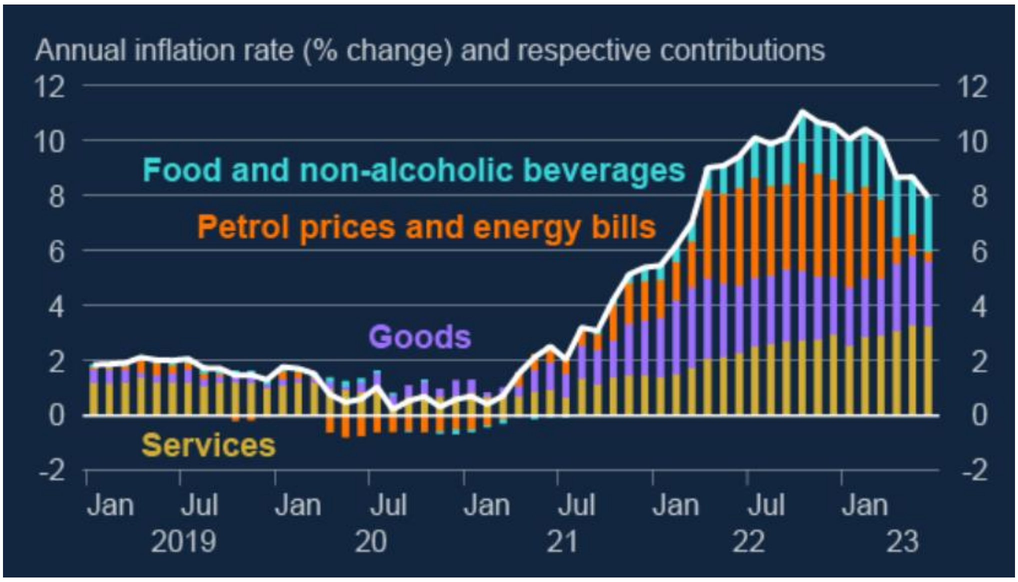
2.1.11 They conclude that "An increasing degree of slack in the economy and declining external cost pressures lead CPI inflation to return to the 2% target by 2025 Q2 and to fall below target in the medium term…mean[ing] CPI inflation is 2.0% and 1.9% at the two and three-year horizons respectively".

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



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 produced[27] shows the move away from energy and fuel costs being the biggest contributor to food and services being the largest proportion of forecast inflation.

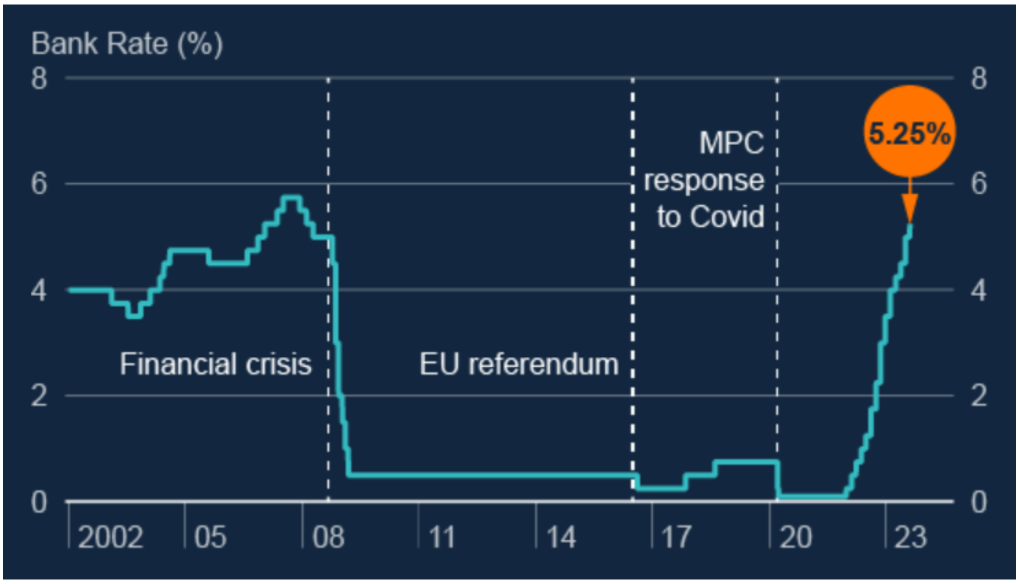
Chart 8: CPI Inflation components



[27] Bank of England, August 2023, Monetary Policy Report

2.1.13 To control inflation the Bank of England has exercised its power to increase the cost of borrowing, and in doing so, encourage people to save money, the result is that, on the whole, less is spent on goods and services. Less spending on goods and services means prices tend to rise more slowly, reducing the inflation rate. Since December 2021 the Bank has increased the base interest rate steadily, with the rate reaching 5.25% following the August 2023 meeting of the Bank's Monetary Policy Committee (MPC).

Chart 9: Interest Rates

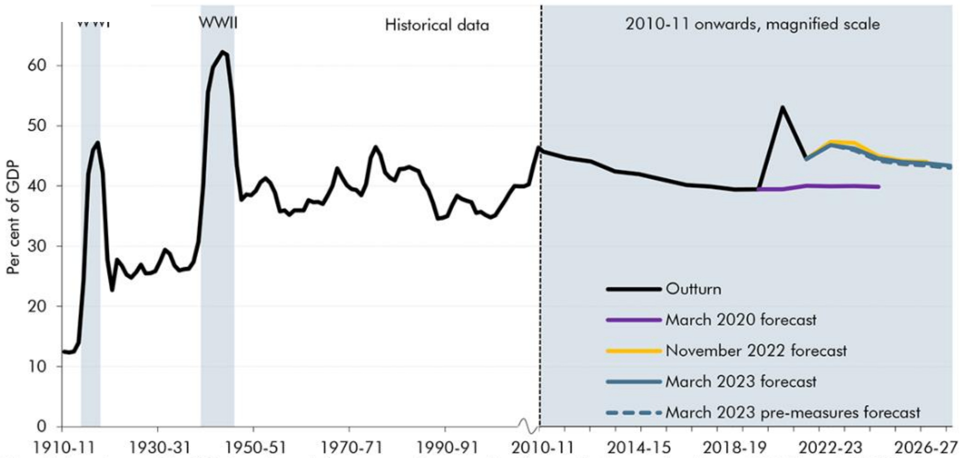


2.1.14 On public spending the Office for Budget Responsibility stated[28] "Having fallen back from its pandemic-induced peak of 53.0 per cent of GDP in 2020-21 to 44.5 per cent in 2021-22, energy support measures, higher inflation, higher interest costs, and weaker nominal GDP growth raise total managed expenditure (TME) to 46.8 per cent of GDP in 2022-23 and then 46.2 per cent next year [Chart 10]." And for the future, "But total spending is still 4.1 per cent of GDP higher at the forecast horizon than in our pre-pandemic March 2020 forecast, and at levels not seen on a sustained basis (outside shocks and their aftermath) since the 1970s."

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.

[28] OBR, March 2023, Economic and Fiscal Outlook

Chart 10: Public Spending as a percentage of GDP

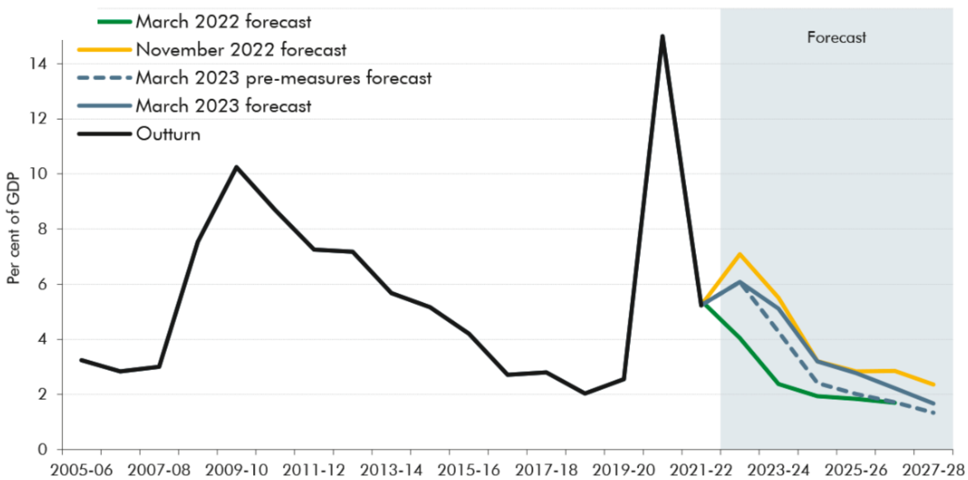


Note: We have increased the GDP denominator in forecast years for our previous forecasts by the upward revision to 2020-21 nominal GDP in the recent Quarterly National Accounts data. This is to enable like-for-like comparisons with our subsequent forecasts.
Source: Bank of England, ONS, OBR

2.1.16 "The modest improvement in economic prospects has flowed through to a somewhat brighter outlook for the public finances. Public sector net borrowing in 2022-23 is expected to be £152.4 billion, or 6.1 per cent of GDP…which reflects a mix of largely economy-related upward revisions to receipts (£14.8 billion) and largely energy-price-related downward revisions to public spending (£9.9 billion). Headline public sector net debt is expected to finish the year at 100.6 per cent of GDP, 1.2 per cent of GDP lower than forecast in November."[29]

2.1.17 The OBR forecast suggests that the headline measure of Net Borrowing will peak in 2023/24 at 103.1% of GDP, and fall back by 2027/28 to 96.9%. These downward revisions to the forecasts only reverse a small proportion of the uplift in borrowing that has been undertaken during 2022/23.

Chart 11: Public Sector Net Borrowing



Source: ONS, OBR

[29] OBR, March 2023, Economic and Fiscal Outlook

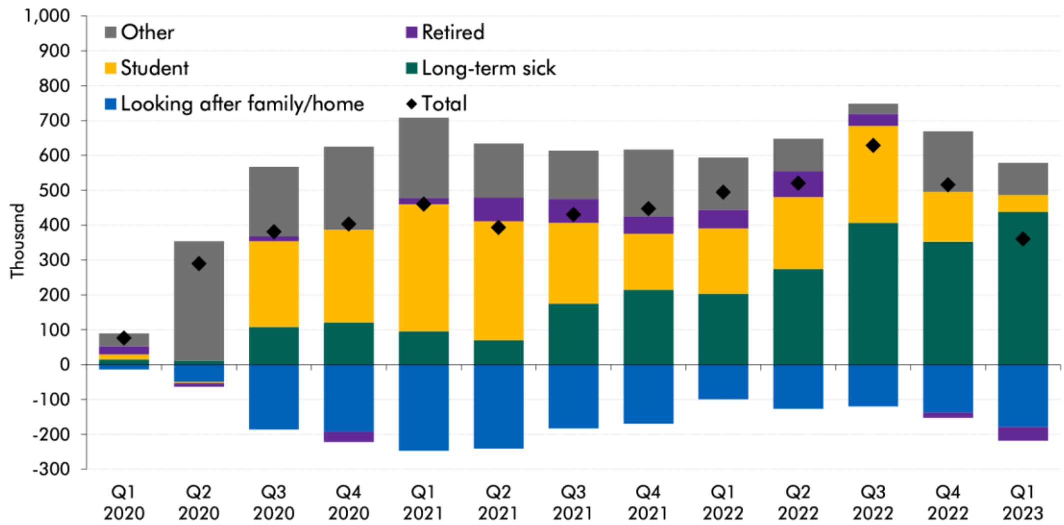
2.1.18 It should be noted that the rising cost of borrowing has a direct inpacton the UK Government too, and with the tripling of interest rates from March 2022 to March 2023 means "the share of revenues consumed by servicing that debt rises from 3.1 per cent in 2020-21, to 6.2 per cent in 2021-22, to 7.8 per cent by the end of the forecast period."

2.2 *Other Significant External Risks*

2.2.1 The second Fiscal Risks and Sustainability report[30] of the year by the OBR examines the aftershocks of three key risks that have crystallised since 2020 and considers their future fiscal implications. 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

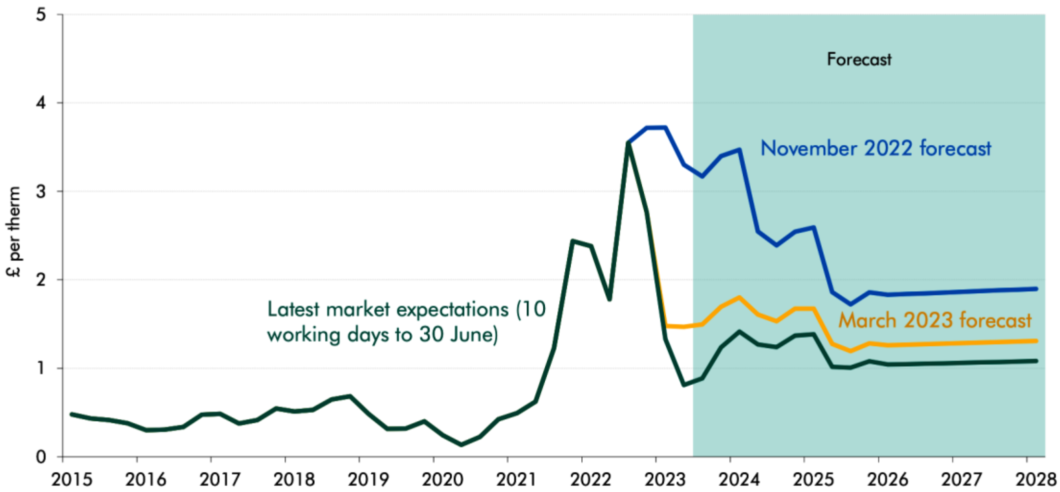
By contrast, the number of people outside the workforce for health reasons has continued to rise, reaching 440,000 in the three months to April 2023, making this group the single-largest segment of the economically inactive population. Such a

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

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

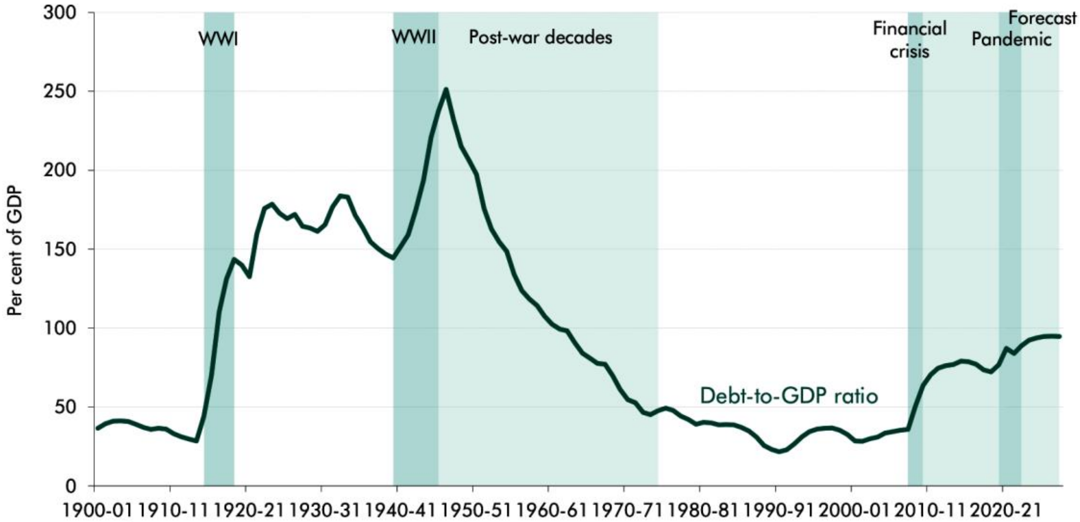


Note: As in our March 2023 forecast, latest market expectations from the first quarter of 2026 are held constant in real terms.
Source: Datastream, Eikon, OBR

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



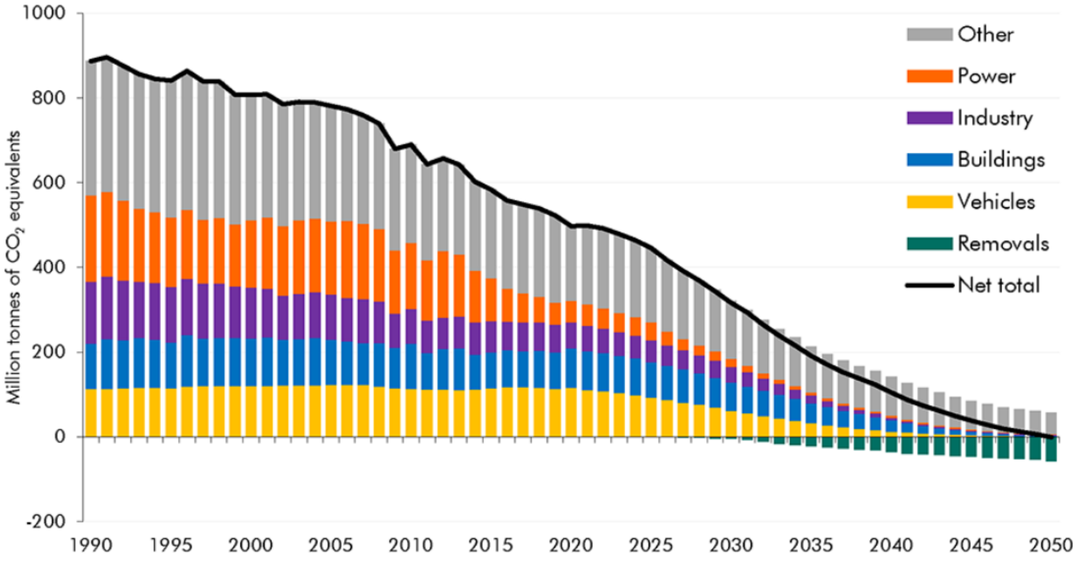
Note: This is for underlying debt, i.e. excluding Bank of England.
Source: ONS, OBR

- 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[31] 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."

[31] 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[32] 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.

[32] 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, earlier this 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

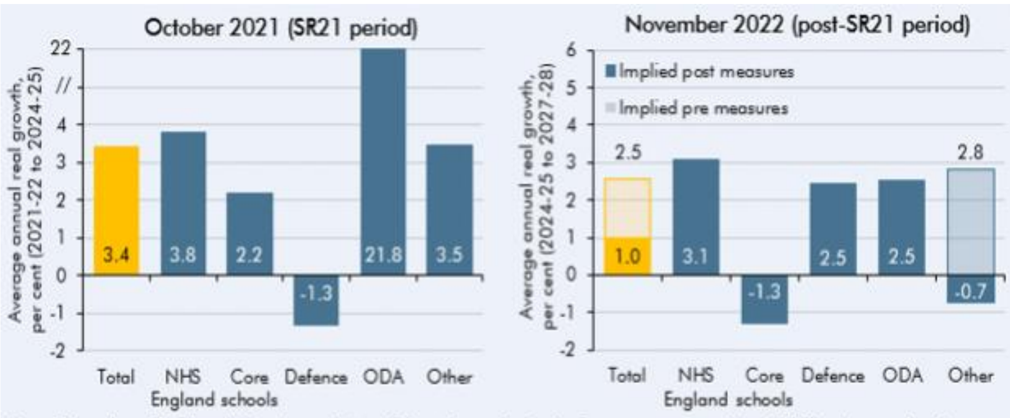
ii. with regards to the future setting of interest rates. The higher rates introduced over the past year by central banks (the Federal Reserve, the Bank of England (BoE) and the European Central Bank (ECB)) are thought to have impacted on the ability of SVB to survive and weakened the position of other 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 financial turmoil that took place after the last MTFS was adopted by the Council, the task of the Autumn Statement, by the Chancellor of the Exchequer in November 2022, was to provide a way forward for UK public finances which satisfied expectations - of the Office for Budget Responsibility and markets - that the UK Government had a plausible plan to deal with the difficulties brought about by rising inflation, interest rates and a slowing economy. The Chancellor decided to square the circle by:

- *increasing tax*: this came from a variety of sources, with a big contribution from energy related levies on companies. And note that, in terms of income related taxes, the significant freezing of income tax thresholds contribution only partially compensated for the decision to not go ahead with the health and social care levy on National Insurance contributions;
- *increasing payments to households*: to compensate for higher inflation, including specifically to help with energy costs and generally with regards to most benefit payments; and
- *squeezing departmental budgets*: whilst some areas are protected to some degree from inflationary pressures, most are not. This means that what had been promising real terms increases (graph on left of Chart 16) are now much reduced. The graph on the right shows the outlook is now for real terms cuts to unprotected budgets.
  - *Chart 16: Changes to RDEL (day to day) spending*[33]



Note: Chart shows RDEL excluding depreciation. 'Other' also excludes the Barnett consequentials of NHS and core schools spending, which are not presented separately because their small size leads to large growth rates.
Source: HMT, OBR

- *overall borrowing*: rises further and for a sustained period, much of which helps to pay for increased debt interest payments.

33 OBR, November 2022, Economic and Fiscal Outlook

2.3.2 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 The 2023/24 UK Budget[34], in March 2023, amounted to £1,189bn. Funding for the budget relies on employment and indirect taxes, for example VAT, therefore the importance of employment levels and individuals having disposable income available to them cannot be understated and hence the context provided in earlier sections of the document. UK revenues for 2023/24 are forecast to be £1,058bn, a gap of £131bn which will have to be borrowed.

2.3.4 Borrowing plugs the gap for the short-term, the situation is unsustainable and the repayment of the net debt must be achieved to provide market stability and maintain strong credit credentials on the global stage. Tackling the level of UK debt is one of the Prime Minister's five priorities – "Getting debt falling"[35].

2.3.5 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, the Chancellor set out, in his budget, the funding for the devolved administrations, and looking simply at the allocations provided in the Spring Budget 2023, the prospects of a 0.5% increase in Block Grant funding, before Fiscal Framework adjustments, for 2024/25 is not promising for the Scottish Budget next year.

2.3.6 The UK Government published a White Paper in February 2022 on the subject of Levelling Up[36], setting out a case for change and to see that change impact all parts of the UK. This agenda has already resulted in opportunities to bid for capital-based funding, with an award of £20m for the City Centre Masterplan work included in the approved Capital Programme.

2.3.7 The UK Government published the UK Shared Prosperity Fund prospectus on 13 April 2022 alongside indicative funding allocations for each Local Authority within the United Kingdom. The Aberdeen City Council area received an indicative allocation of up to £7.2m for an initial three-year period covering 2022/23, 2023/24 and 2024/25. The largest element of this funding, 'Core' amounting to almost £6m, can be used across three priority areas: Community and Place; Supporting Local business; and People and Skills. Funding of this nature can only be seen as additionality and does not provide funding to support service delivery and day to day expenditure required.

[34] UK Treasury, March 2023, Spring Budget 2023

[35] UK Government, January 2023, Prime Minister outlines his five key priorities for 2023

[36] UK Government, February 2022, Levelling Up the United Kingdom

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 funding accounts for approximately a quarter of the total discretionary fiscal budget[37], in 2023/24, approximately £13.5 billion[38] (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[39] 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.

---

[37] Scottish Government, December 2022, Scottish Budget 2023/24

[38] Scottish Government, March 2023, Finance Circular 03/2023

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

2.4.6 For financial year 2023/24 Scotland's Budget, excluding Annually Managed Expenditure (AME)[40], amounts to £51.4 billion, when presented to Parliament in December 2022. 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[41] 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.

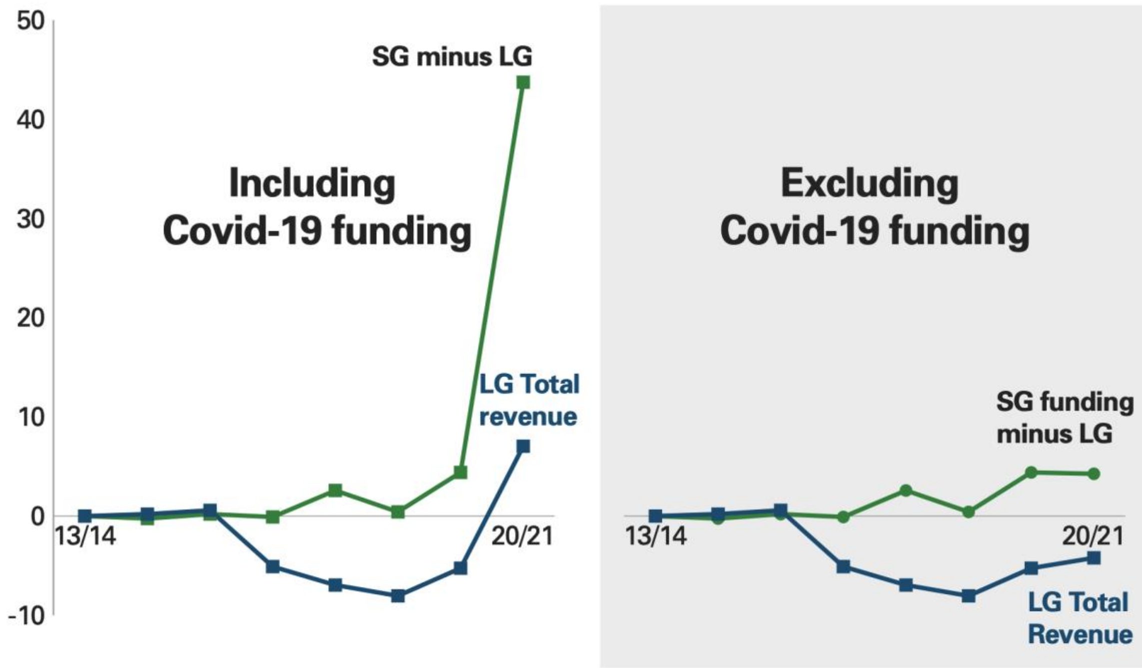
2.4.10 At this point worth of note is that it is impossible to get away from the shortfall in funding that has been provided to Local Government in Scotland for the last decade. The Accounts Commission published, its Local Government in Scotland Overview report[42] on 25 May 2022, which continued to 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)

[40] 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.

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

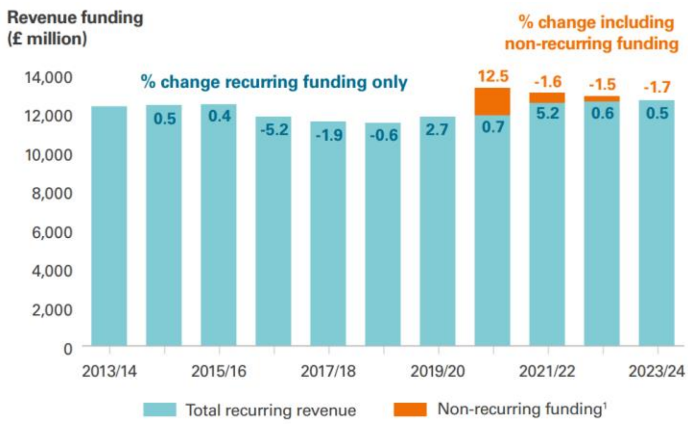
[42] Accounts Commission, May 2022, Local Government in Scotland Overview 2022



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[43] 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.

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

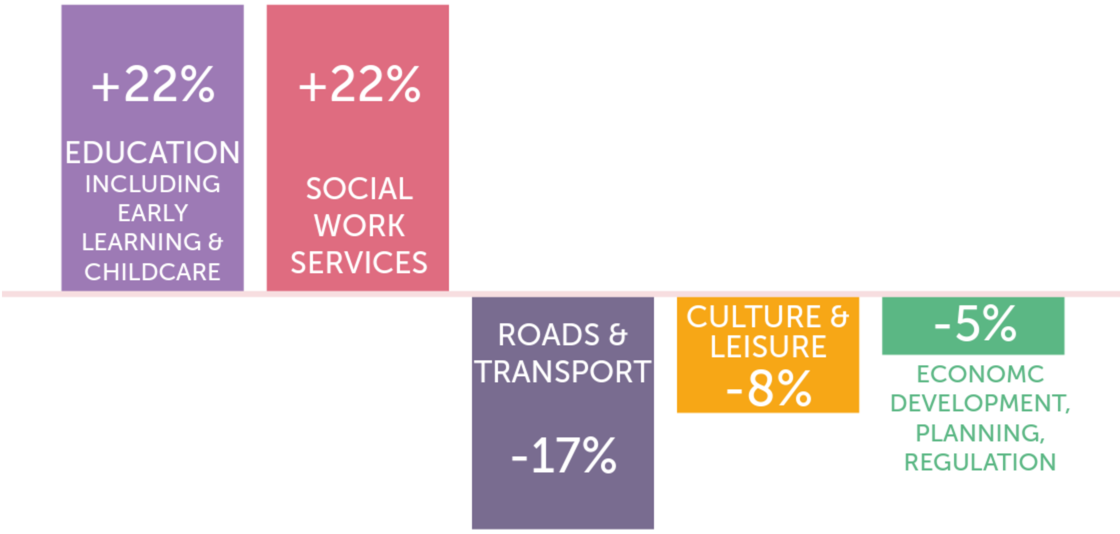


Notes:
1. Non-recurring funding refers to Covid-19 related funding in 2020/21 and 2021/22 and cost-of-living support for council tax bills in 2022/23.
2. We use the finance circulars to compare the funding position year-on-year as we believe this is the most accurate comparison.
These figures include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

43 Accounts Commission, May 2023, Local Government in Scotland: Overview 2023

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[44] 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)



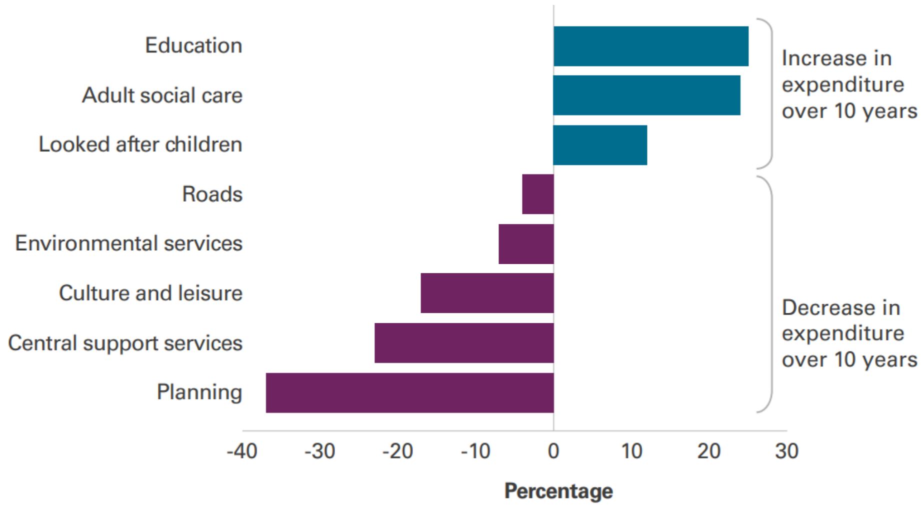
Source: COSLA, Live well locally

2.4.13 The Accounts Commission[45] presented a similar picture in its latest report, reinforcing the extent to which national policy is shaping the allocation of resources at a local level.

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

[45] 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[46] 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 is currently at Stage 1 – where Parliamentary Committees examine the Bill and gather views – but "…this has been postponed until at least September 2023 because of concerns about the adequacy of parliamentary scrutiny based on only a framework Bill. There are still many unknowns. Details of the arrangements have yet to be determined 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."[47]

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."

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

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

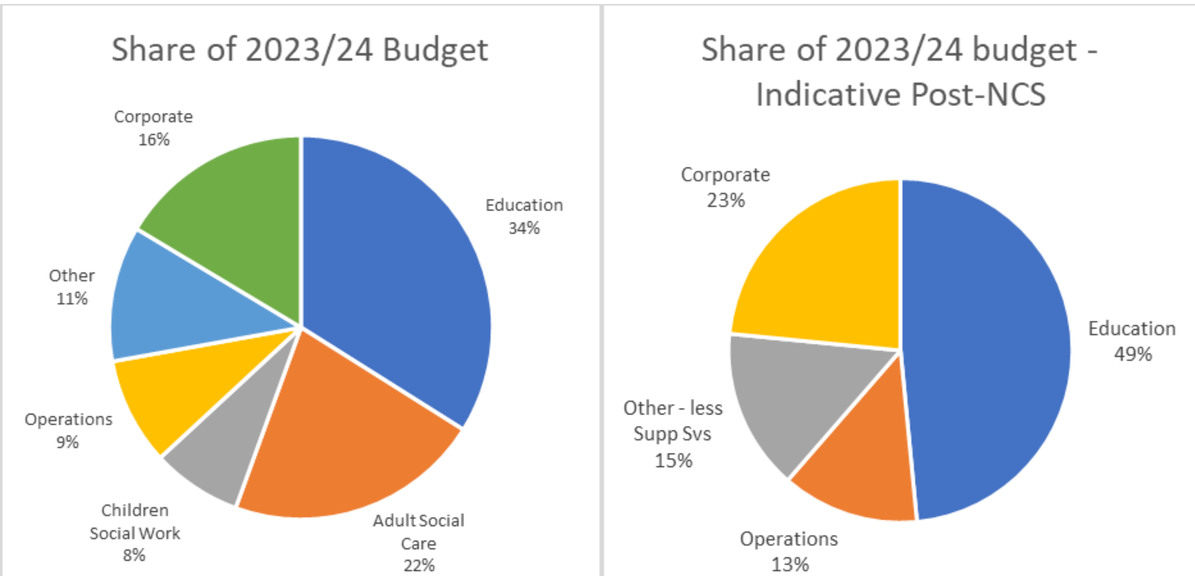
2.4.16 In terms of impact COSLA initially described the Bill, "The inclusion of Children's Services within the Scottish Government's National Care Service Consultation went far beyond the scope of the Independent Review of Adult Social Care, and it was clear in the analysis of the consultation that many 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[48] 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 £168m on Adult, Children and Justice Social Work and associated central support services, from a net budget of £559m, representing 30% of net expenditure this year. That spending is expected to rise to approximately £173m 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 2023/24, including and excluding proposed NCS services



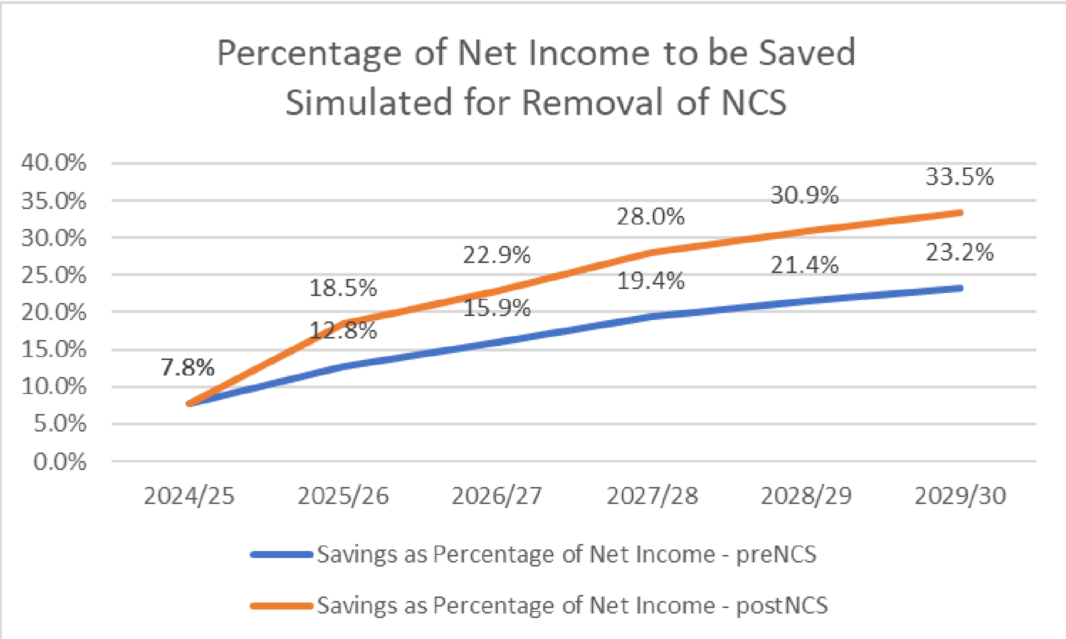
2.4.20 In July 2023 an agreement was reached between the Scottish Government, the NHS and COSLA that legal responsibility will be shared between the health service, councils and the Scottish government, and that staff, assets and the delivery of services will remain part of Councils. The analysis remains relevant as it is unclear to what extent

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

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[49] (RSR) provided much more about the future, that the Council can learn from, in particular the shape of local government finance for the 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."[50]

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

---

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

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

funding. The Central Scenario financial modelling has therefore been maintained over the period to flat cash.

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."

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	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.	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 be received

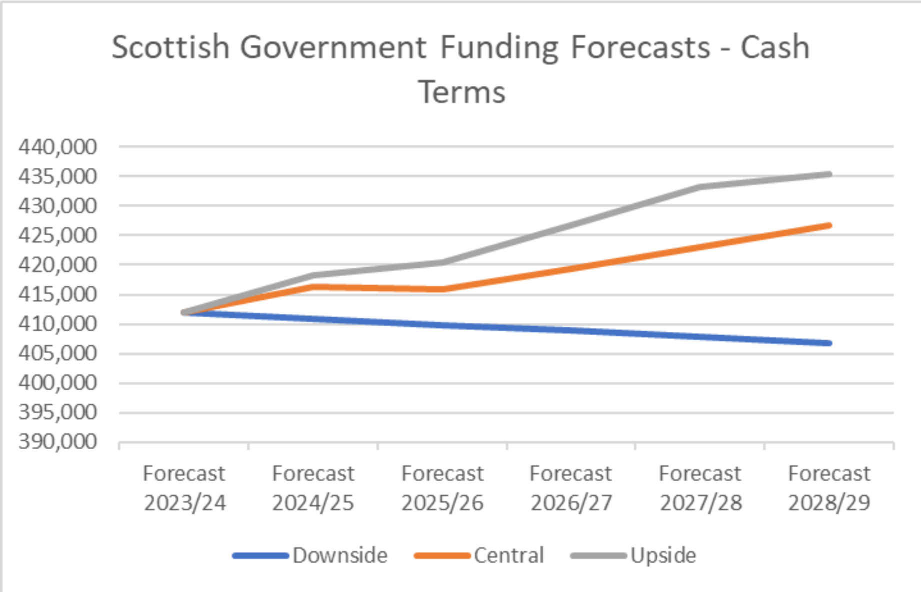
scenario to support core services. Switch of capital to revenue funding in 2024/25. Assumed that additional funding will be received for additional expenditure commitments. No change incorporated for National Care Service.	Distribution uncertainty resulting in 0.1% reduction annually. Assumed that additional funding will be received for additional expenditure commitments through policy changes. 2026/27 and 2028/29 1% cash increase annually. No change incorporated for National Care Service.	for additional expenditure commitments through policy changes.

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 is shows a regular reduction in funding. By year 5, 2028/29 there is a funding range, upside to downside of £28m.

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 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.

2.6.5 It is worthy of note that the Scottish Government's Programme for Government[51], published earlier this year 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 Council will want to participate to ensure that developments are appropriate financially for the Council and locally for our citizens. At time of writing a joint consultation by Scottish Government and COSLA is seeking views on potential changes to the council tax system that could see those in the highest value properties asked to pay more if they can afford to have been published. An initial forecast of the additional revenue that would be generated from Council Tax Band E-H households is c.£8m (Gross) however it must be recognised that when the same change was made in 2017/18 this was adjusted for in the Distribution formula for Local Government and therefore the gross income is likely to be moderated through a lower General Revenue Grant being received. The consultation runs until 20 September 2023.

2.6.6 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.

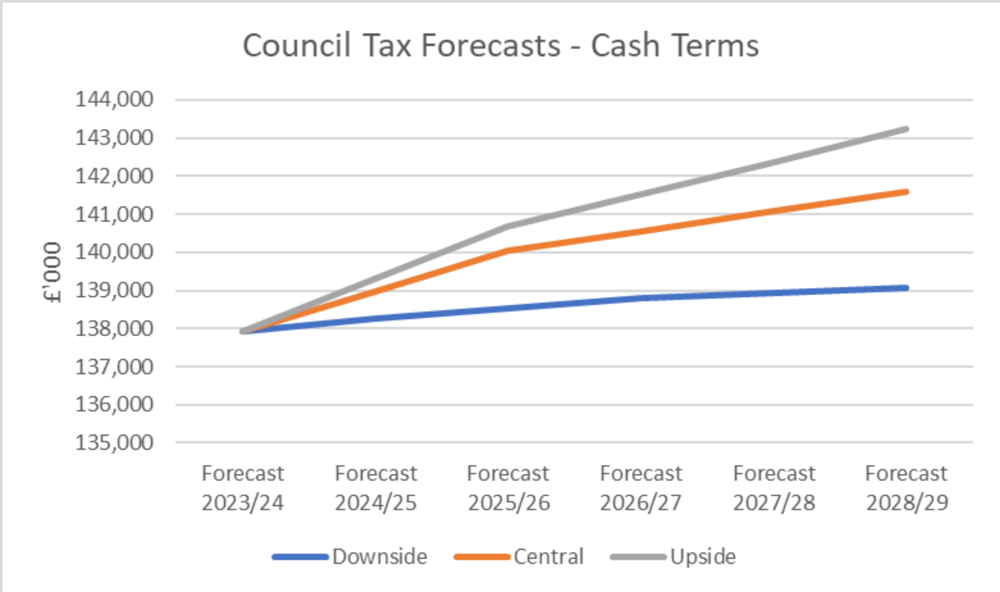
II. The chart below does not include the impact of a rate increase; however the recommendation is that the real terms increase in Council Tax should be approved annually to enable the Council to in part recover the increasing cost of services, through pay, price and contract inflation.

III. The value of Council Tax receivable may increase due to legislative changes, it is possible the effect on the distribution formula may mean that the Council receives less that the gross amount that will be collectable from those changes, this will be modelled into the MTFS once the position is clear. Until the

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

legislation is in place no adjustment will be made to the MTFS, it will be updated for the final budget 2024/25.

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.

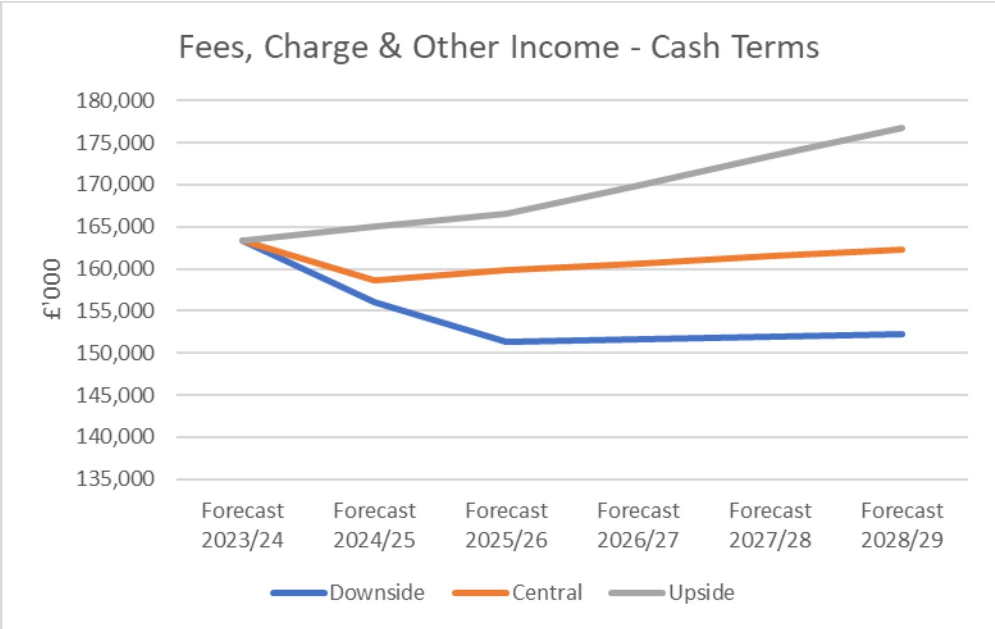
3.7.3 This year initial forecasts for income from fees and charges is far from certain and continues to be affected by behaviour changes from customers, citizens and visitors, as well as economic conditions. While this will be captured in the current year through the quarterly financial performance reports, 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[52] that "Scottish households are still expected to see the biggest fall in living standards – as measured by real disposable income per person – since Scottish records began in 1998, of 4.1 per cent between 2021-22 and 2023-24." 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



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. In May this year the Visitor Levy (Scotland) Bill[53] was introduced to the Scottish Parliament - if passed, the legislation will give 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.

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, the earliest the Visitor Levy could be introduced, for example. Is 2026/27.

[52] Scottish Fiscal Commission, May 2023, Scotland's Economic and Fiscal Forecasts

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

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 In June 2023 the Circular Economy (Scotland) Bill[54] was introduced to the Scottish Parliament. 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

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	No. Visitor Levy (Scotland) Bill introduced to Scottish Parliament, May 2023.	No.	2026/27
Workplace Parking Levy	Yes. Transport (Scotland) Act 2019	No. Part 7 of the Transport (Scotland) Act 2019 has not yet been brought into force.	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.

[54] Scottish Parliament, June 2023, Circular Economy (Scotland) Bill

Circular Economy	No. Circular Economy (Scotland) Bill introduced June 2023, at Stage 1	No.	Estimate 2026/27 at earliest

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 has increased and has remained 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 1.1% Year 2 -0.1% Year 3-5 1.0%	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 2024/25 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 4,250 properties	Year 1-5 total 3,345 properties	Year 1-5 total 3,000 properties
Fees, Charges and Other Income	External income raised from customers. Approval for rate increases is a council decision, therefore rates charged in 2023/24 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 £2m loss & return to current by year 4	Year 1 £4.2m loss & return to current over 6 years	Year 1 £6m loss & return to current over 8 years
One-off funding streams	20222/23 Budget made use of Balance Sheet resources and one-off funding streams these must be replaced as they are non-recurring. Assumption for 2023/24 only, £19.4m.			

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 1-2 3%; Year 3-5 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 2023/24	Year 1-5 0% No further increases beyond 2023/24	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 6% p.a.	Between 3% and 9% p.a.
Inflation	Utilities, including Gas, Electric, Heating Oil, Water	Gas 0% Electricity 2.5%	Gas 10% falling to 1% Electricity 10% falling to 5.7%	Gas 15% falling to 5% Electricity 15% falling to 8%
Population Demand	Children, schools impact	School roll slower	Total Year 1-5 £5m increase	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 7% Year 2 4% Year 3 11% Year 4 9% Year 5 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%	

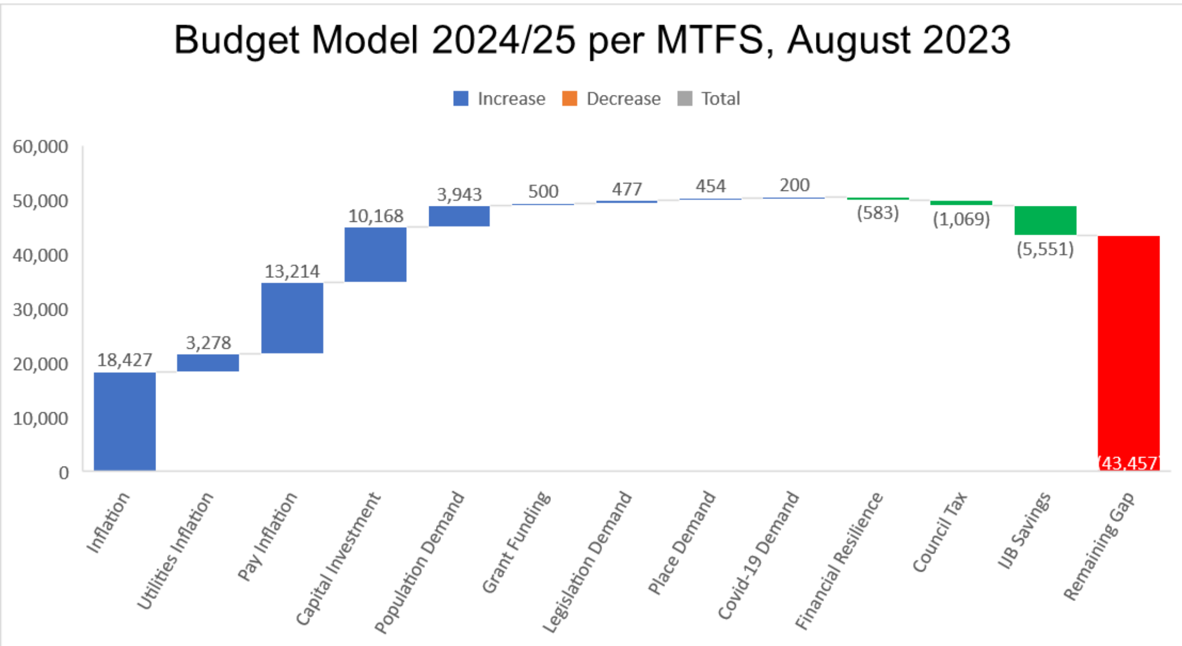
3.1.3 Figures for the Council's Functional structure are presented in the following table, reflecting the changing costs for the Central Scenario.

Table 6: Central Scenario Forecast from 2023/24 to 2028/29 (Gross)

Budget Forecasts - General Fund	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**
Children's & Family Services	232,160	245,123	253,425	258,636	263,501	268,307
Commissioning	18,565	20,776	22,040	22,677	23,276	23,860
Customer	42,404	47,800	51,099	53,233	55,040	56,690
Integrated Joint Board	120,781	120,781	120,781	120,781	120,781	120,781
Resources	53,259	63,230	71,530	74,640	79,006	81,038
Corporate	91,725	104,564	112,124	123,052	136,348	143,976
	558,894	**602,275**	**630,999**	**653,019**	**677,951**	**694,651**
Funded By						
General Revenue Grant	(154,116)	(158,466)	(158,289)	(159,651)	(161,025)	(162,412)
NNDR	(257,797)	(257,797)	(257,501)	(259,780)	(262,079)	(264,398)
Council Tax	(137,908)	(138,977)	(140,047)	(140,564)	(141,082)	(141,599)
Use of Reserves	(9,072)	(3,577)	(3,577)	(3,577)	(3,577)	(3,577)
	(558,894)	**(558,818)**	**(559,413)**	**(563,572)**	**(567,763)**	**(571,986)**
Gap (Cumulative)	**0**	**43,457**	**71,586**	**89,447**	**110,188**	**122,665**

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 2024/25



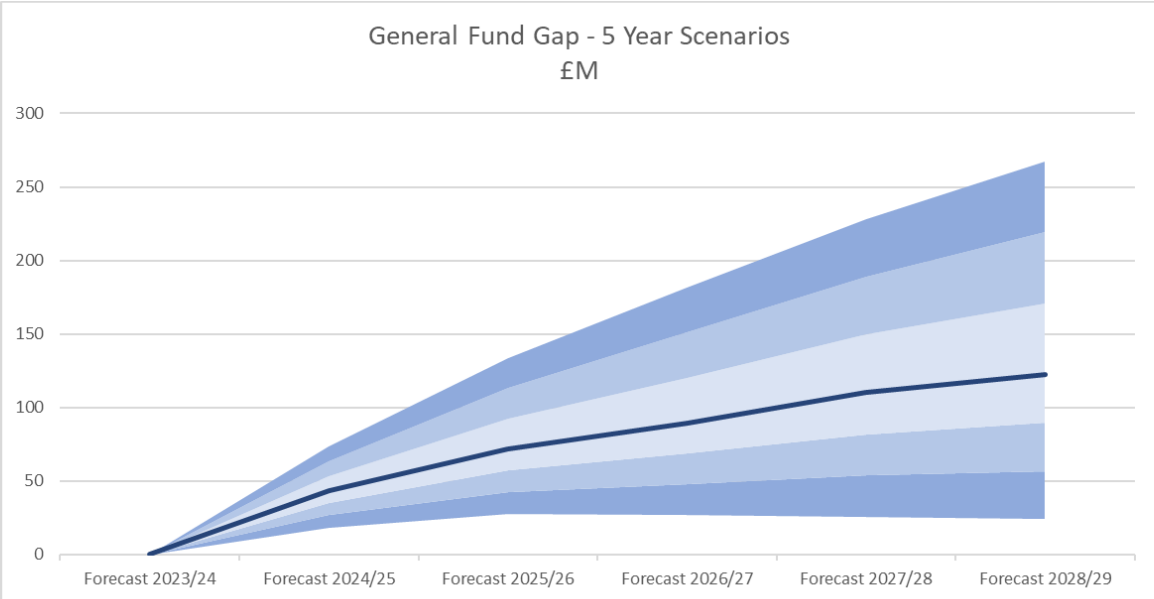
3.1.5 The impact of income and expenditure assumptions over the next five years, with the Upside and Downside scenarios quantified is shown in the table below.

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

General Fund Budget Gap	**Forecast 2023/24**	**Forecast 2024/25**	**Forecast 2025/26**	**Forecast 2026/27**	**Forecast 2027/28**	**Forecast 2028/29**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Downside Scenario	0	73	134	182	228	267
Central Scenario	**0**	**43**	**72**	**89**	**110**	**123**
Upside Scenario	0	18	28	27	25	24

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 2024/25 of between £18m and £73m, with a central scenario that has moved (from last year's MTFS) towards the downside set of assumptions, this is based on more pessimistic inflation forecasts and 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.

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 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. 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.

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[55] within the criteria that has been set out. The allocation to Aberdeen City Council area is £7.2m for the period to 2024/25.

4.1.6 The Scottish Government published its Infrastructure Investment Plan for Scotland 2021/22 to 2025/26[56] 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

[55] Aberdeen City Council, July 2023, UK Shared Prosperity Fund report
[56] Scottish Government, Infrastructure Investment Plan 21/22-25/26, February 2021

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[57] 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[58] 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.

4.1.10 The refreshed 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.

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

[58] Scottish Government, May 2022, Targeted Review of Capital Spending Review 2023/24-2025/26

Table 8: Illustrative Upside and Downside Capital Funding Scenarios (£m)[59]

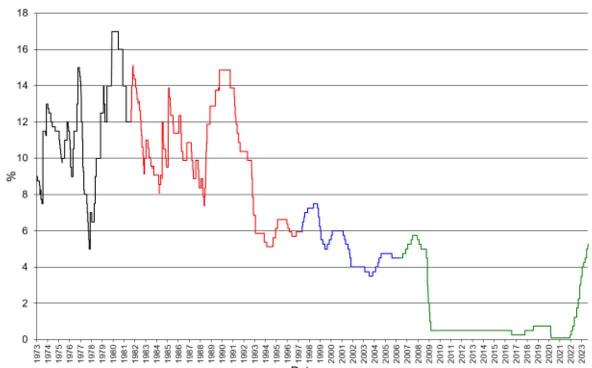
	2023-24	2024-25	2025-26	2026-27	2027-28
Central funding outlook	6,004	5,873	5,882	5,902	5,909
Upside scenario	6,004	5,873	6,033	6,209	6,378
% variation	*0.0%*	*0.0%*	*2.6%*	*5.2%*	*7.9%*
Downside scenario	6,004	5,873	5,835	5,808	5,769
% variation	*0.0%*	*0.0%*	*-0.8%*	*-1.6%*	*-2.4%*

Source: Scottish Government

4.1.11 It can be determined from this 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 twice in the last 12 months. The recent report to Finance and Resources Committee notes that the Chief Officer – Capital will present a review of the General Fund Capital Programme to 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[60] 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. 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



Source: Bank of England

[59] Scottish Government, May 2023, Medium Term Financial Strategy
[60] Aberdeen City Council, June 2022, Supply Chain Volatility report

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. As already said, this is being done and will be reported to Finance and Resources Committee in September.

4.1.14 The eyes of the world were on Scotland when COP26[61] 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.

4.1.15 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.

4.1.16 On 22 February 2023[62], 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."

4.1.17 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 Aberdeen Routemap, enabling strategies; and Aberdeen Adapts, Climate Adaptation Framework.

[61] https://ukcop26.org/

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

- 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.

4.1.18 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[63] 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.

4.1.19 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.

4.1.20 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.

4.1.21 This is coupled with the already approved Strategic Investment Plan[64] 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.

4.1.22 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 approved in March 2023, took forward several initiatives, including investment in electric and hydrogen vehicles, charging infrastructure and hydrogen hub.

4.1.23 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.

4.1.24 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 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

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

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

themselves traditional capital investment by a local authority needs to be paused and re-examined.

4.1.25 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.

4.1.26 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).

4.1.27 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.

4.1.28 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

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

4.1.30 The current Capital Programme for the General Fund was approved in March 2023 with investment of £732m 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.

4.1.31 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.

4.1.32 Demand and forecasts of, for example, population will have to be balanced with those choices.

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

5.1 *2023/24*

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 Having avoided making use of one-off funding streams in setting the 2023/24 budget 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 and cost pressures arising from population changes, particularly children and significant inflation and supply chain issues are creating a significant financial challenge in to the Council's financial resilience in 2023/24. Based on the Quarter 1 Financial Performance Report[65] the Committee noted that "…the General Fund full year forecast position remains very uncertain at this time and subject to the successful implementation of actions…and no further financial shocks, then a full year outturn position of 'on budget' is anticipated."

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 2023/24, 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 *2024/25 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

[65] Finance & Resources Committee, August 2023, Financial Performance Q1 report 2023/24

- Scenario planning
- 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 As described above the financial impact of this is captured in the financial models that support this MTFS. This analysis informs ***planning*** of future service designs which, at a detailed level, identify:

- Services to be commissioned and delivered
- Services to be changed through recommissioning
- Services to be decommissioned
- Eligibility criteria for those services
- Customer Access / Channels / Standards
- Income levels
- Organisation structure and workforce
- Location / Assets
- Suppliers and contracts
- Digital / Data systems
- The cost of services
- Significant risks associated with delivery of the service

5.2.4 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 (TOM1.2) 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[66] 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.

5.3.3 Building on our achievements, TOM 1.2 will focus 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 2023/24 to 2027/28 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.
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

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

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 2023 and instead will form part of the consultation and engagement that will be undertaken widely through the Autumn, prior to the Council determining and approving a new budget for 2024/25 and beyond.

5.4 *Linked Strategies*

5.4.1 The Strategic Commissioning Committee agreed in November 2019 a revised Strategy Framework[67] 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 agreed strategies are shown at Appendix 3, per Council Delivery Plan report, March 2023 [COM/23/074].

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 save 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.

[67] Strategy Framework, SCC, November 2019

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 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[68] 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

[68] 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[69] 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 will be created 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 Where a one-off solution is filling a budget gap, enabling services to continue as currently delivered for example then due consideration of the implications must be taken, identifying where and when they are being used and adjusting future financial planning to reflect the decisions taken.

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

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

1.2 to deliver the savings required in the timeframe and is determined that these programmes of work deliver cashable benefits as outlined above.

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 Additional scrutiny of the Council's statutory duties has been undertaken and will be developed further to determine what options are available to support the balancing of the budget in the future, through the transfer or realignment of statutory responsibilities away from the Council. Further reporting to Council will be completed in this respect in the coming months.

5.9.6 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.

5.9.7 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.

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

5.9.9 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 2023/24 to 2028/29 (Net)

Budget Forecasts - General Fund	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**
Children's & Family Services	232,160	245,123	253,425	258,636	263,501	268,307
Commissioning	18,565	20,776	22,040	22,677	23,276	23,860
Customer	42,404	47,800	51,099	53,233	55,040	56,690
Integrated Joint Board	120,781	120,781	120,781	120,781	120,781	120,781
Resources	53,259	63,230	71,530	74,640	79,006	81,038
Corporate	91,725	104,564	112,124	123,052	136,348	143,976
	558,894	**602,275**	**630,999**	**653,019**	**677,951**	**694,651**
Funded By						
General Revenue Grant	(154,116)	(158,466)	(158,289)	(159,651)	(161,025)	(162,412)
NNDR	(257,797)	(257,797)	(257,501)	(259,780)	(262,079)	(264,398)
Council Tax	(137,908)	(138,977)	(140,047)	(140,564)	(141,082)	(141,599)
Use of Reserves	(9,072)	(3,577)	(3,577)	(3,577)	(3,577)	(3,577)
	(558,894)	**(558,818)**	**(559,413)**	**(563,572)**	**(567,763)**	**(571,986)**
Gap (Cumulative) Per Table 6	**0**	**43,457**	**71,586**	**89,447**	**110,188**	**122,665**
MTFS Assumptions re Savings from:						
Council Transformation	0	(7,611)	1,367	(2,699)	(12,744)	0
Multi-Agency Transformation	0	(500)	(1,025)	(1,285)	(1,200)	0
Efficiencies	0	(335)	(1,412)	0	0	0
Net Position (Central Scenario)	0	**35,011**	**62,071**	**75,948**	**82,745**	**95,221**

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

5.9.11 The Upside scenario shows that balancing the MTFS over the five year period is possible taking account of the assumed transformation savings, income generation and efficiencies however there is still work required in the early years to balance the in-year budgets. 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 for officers. 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.

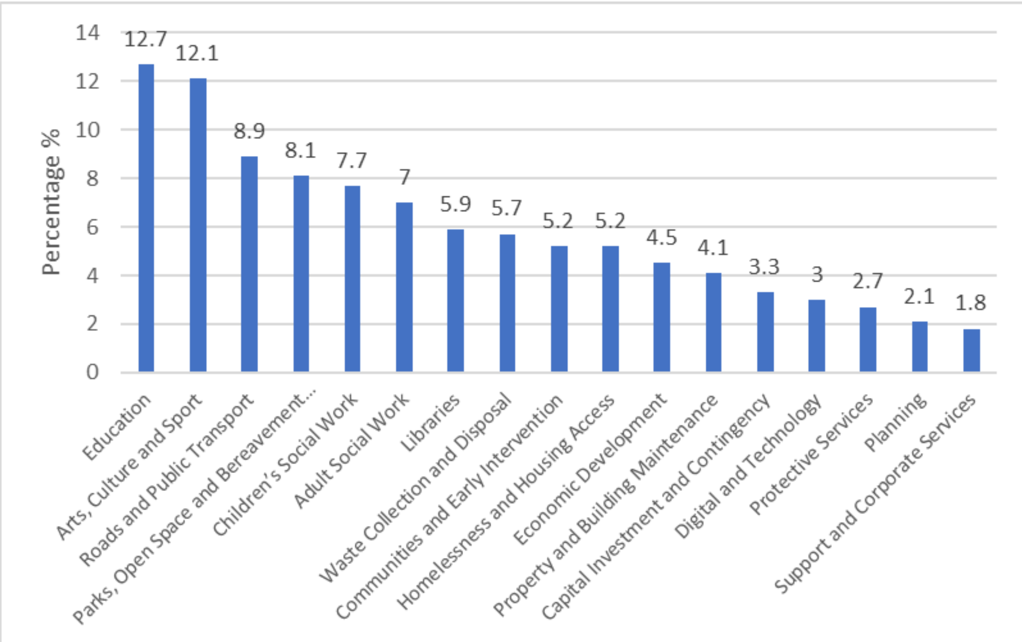
5.10 Consultation & Engagement

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[70].

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. A total of 3,192 responses were received during the first phase, which ran throughout July.

5.10.3 Participants were asked to award exactly 100 points in batches of 5, 10, 15, 20 or 25 across 17 different service areas as way of indicating what mattered most to them. Points for each service area were added up to give a percentage share of the total points awarded, shown below:

Chart 29: Percentage of points received by 17 Service Areas in Phase 1 Consultation



5.10.4 A range of comments were received, 159 people providing a final additional comment on the survey. On initial analysis the sentiment expressed in these comments varied in nature from very negative to very positive, with the predominant sentiment evaluated as moderately negative. A very small cross section of the type of comments provided included:

Very Positive: "This is a fantastic idea for people to be engaged in the budget process."

Moderately Positive: "All the services matter, but to me, health and prevention save money across the board…"

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

Moderately Negative: "Invest in places for kids to go. They have free transport, to go where?..."

Very Negative: "Stop allowing so many houses to be built and then struggle to provide services for the people who move into them…"

5.10.5 Overall the comments contained a very wide range of subjects that interested and were important to those who took the time to fill in the survey. Reference to 'Services' with mentions of buses, libraries and sports services, and 'Council' also featured often with reference to council tax and staff.

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 basis of the phase 2 consultation exercise, covering the period 2024/25 to 2027/28, the final budget that will be considered during this Council term.

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[71]

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.

[71] Council Reserves Statement, March 2023, Report number 6, 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 2022/23[72] show the balance of General Fund usable reserves of £86m (including earmarked reserves of £74m).

6.8 An explanation of each earmarked reserve and values as at 31 March 2023 can be found in the council's audited annual accounts for 2022/23.

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. **<u>Introduction</u>**

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

---

[72] Audit, Risk & Scrutiny Committee, August 2023, Audited Annual Accounts 2022/23 (RES/23/261)

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.[73]

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 **<u>Background</u>**

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

[73] 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 2023.

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**	
Availability of Resources					
Usable Reserves / Net Revenue inc. HRA (%)	10.8%	16.4%	22.0%	25.0%	
Usable Reserves - GF / Net Revenue (%)	7.7%	14.2%	15.7%	16.4%	
Usable Reserves - HRA / HRA Revenue (%)	12.7%	14.3%	14.7%	16.0%	
Reserves Sustainability Measure	6.6	100.0	100.0	100.0	
Level of Usable Reserves	10.8%	16.4%	22.0%	25.0%	
Change in Usable Reserves	-31.4%	50.7%	128.5%	159.4%	
Council Tax Requirement / Net Revenue (%)	26.9%	24.5%	25.5%	25.4%	
Unallocated Reserves	2.6%	2.5%	2.4%	2.3%	
Earmarked Reserves	5.1%	11.7%	13.3%	14.1%	

Ratios/Measures	**2019/20**	**2020/21**	**2021/22**	**2022/23**	
Change in Unallocated Reserves (over last 3 years)	5.4%	10.0%	16.1%	0.8%	
Change in HRA Reserves (over last 3 years)	13.3%	24.6%	23.6%	22.7%	
Current Ratio	77.2%	81.6%	63.6%	49.7%	
Working Capital	£0k	£0k	£0k	£0k	
Creation of Resources & Gearing					
Net Worth / Net Direct & Indirect Debt (%)	88.1%	101.8%	101.9%	97.4%	
Net Direct & Indirect Debt / Net Revenue inc. HRA (%)	247.6%	228.9%	235.8%	248.2%	
Capital Financing Requirement / Total Gross Income (%)	119.7%	115.8%	121.9%	142.2%	
Short-Term Direct Debt / Direct Debt (%)	16.9%	18.8%	17.6%	22.4%	
Interest Payments - GF / Net Revenue (%)	10.0%	7.9%	8.5%	9.7%	
Interest Payments - HRA / HRA Revenue (%)	7.4%	5.7%	6.5%	10.0%	
Interest Payments / Net Revenue inc. HRA (%)	9.6%	7.5%	8.1%	9.7%	
Net Worth	£1,216.0m	£1,413.2m	£1,461.1m	£1,500.8m	
Gross External Debt	£1,380.3m	£1,387.7m	£1,433.6m	£1,541.6m	
Longevity & Trends in Resources					
Adult Social Care Ratio	19.6%	18.7%*	20.9%	23.4%	
Children Social Care Ratio	10.4%	8.7%*	8.7%	n/a	
Education Ratio	39.0%	36.5%*	35.9%	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 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. over 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 2022/23 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 being affordable, but there is upward pressure, where the cost on the HRA is now 10% of net revenue. Upward pressure is also coming from the high inflation levels 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, was £1.5bn at 31 March 2023. 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 2023/24 budget in March 2023, the capital financing requirement 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 2022/23 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 is showing as a positive development. It is also worth highlighting the non-recurring nature of the Ukrainian Resettlement funding that was paid in 2022/23, while some additional funding is expected in 2023/24 this is subject to change as the crisis develops further.

6.55 Over the 20 categories of income it represents over £830m of income to deliver the gross cost of Council services amounting to approximately £900m, or 92% showing how much the Council relies on these very specific funding streams.

6.56 A substantial element of that income is subject to statutory or policy review and highlights the levels of funding associated with the National Care Service (Scotland)

Bill that is currently still at Stage 1 of the Parliamentary process. The Council can expect to lose the income and should require that all of the associated costs are also transferred away if that proves to be the case, although this may materialise as differently if staff, assets and services will remain with local government – perhaps through direction / conditions in the financial settlement.

6.57 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 £670m of expenditure it demonstrates the categories of spend that need to be influenced and changed to support major resource changes, savings and cost reductions. The capital financing figure referred to is artificially reduced in 2022/23 too, as the Council agreed to defer the accounting for debt principal repayment for a single year as permitted by Scottish Government. This will mean higher costs in 2023/24.

6.58 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.

6.59 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.

6.60 **<u>Future development</u>**

6.61 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.

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 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 2022/23

	Title	Type of Income	2022/23 Actual Value £'000	last 3-year change (20/21) £'000	last 5-year change (18/19) £'000	Continues for at least 5 years?	Subject to regulation/ policy change in next 2 years?	Dependencies
1	GRG + NDR Distribution	Non-Specific Grant	390,013	10,320	68,184	Yes	Yes	Barclay review - Spending Review
2	Council Tax	Fiscal Powers	133,137	9,736	16,616	Yes	Yes	SG / LG Fiscal Framework Outcomes
3	Building Services	Fees & Charges	51,567	17,556	13,530	Yes	No	HRA work programme
4	NHS Grampian	Specific Grant	46,012	(5,449)	8,576	No	Yes	NCS (Scotland) Bill
5	AWPR / Aberdeen Roads Ltd	Specific Grant	44,406	(191)	27,911	Yes	No	Contract terms and conditions
6	Housing Benefit	Specific Grant	36,222	(19,476)	(8,814)	Yes	No	Universal Credit & Economic Conditions
7	Capital cluster - General Fund Capital	Fees & Charges	23,221	(10,290)	5,634	Yes	No	Capital programmes
8	Property Letting	Fees & Charges	22,847	9,642	10,940	Yes	Yes	Economic conditions in Aberdeen
9	ELC Expansion	Specific Grant	22,167	(3,905)	22,167	Yes	Unknown	Distribution formula & ELC Quantum
10	Ukrainian Integrated Support	Specific Grant	14,794	14,794	14,794	No	Yes	No of Ukrainian refugees
11	Aberdeenshire Council Charges	Fees & Charges	12,429	(14,433)	6,283	Yes	No	Capital programmes
12	Adult Social Care Residential	Fees & Charges	10,669	3,349	2,259	No	Yes	NCS (Scotland) Bill
13	Capital cluster - Housing Capital	Fees & Charges	6,109	4,449	(86)	Yes	No	Capital programmes
14	Parking Charges/Fines	Fees & Charges	4,279	692	(3,342)	Yes	No	Customer behaviour
15	Moray Council Charges	Fees & Charges	2,903	(3,628)	2,697	Yes	No	Capital programmes
16	Planning / Building Control Fees	Fees & Charges	2,181	443	(171)	Yes	No	Statutory basis, no local discretion
17	Common Good Charges	Fees & Charges	2,102	256	682	Yes	Yes	Council review of Common Good
18	NESPF Charges	Fees & Charges	2,071	288	657	Yes	Unknown	National LGPS Review in Scotland remains a commitmen
19	Bereavement Services Fees	Fees & Charges	1,747	(97)	486	Yes	No	Competition
20	Garden Waste Charges	Fees & Charges	1,443	310	1,443	Yes	Yes	Review under Partnership Agreement
			830,319	**14,365**	**190,447**			

APPENDIX 1: Top 20 Income and Expenditure Categories

Top 20 Revenue Expenditure Commitments by Value 2022/23

	Title	Type of Expenditure	2022/23 Actual Value £'000	last 3-year change (20/21) £'000	last 5-year change (18/19) £'000	Continues for at least 5 years?	Subject to regulation/ policy change in next 2 years?	Dependencies
1	Pay bill - non teachers	Staff	218,419	32,969	38,209	Yes	No	Local Terms & Conditions & National pay negotiations NCS (Scotland) Bill
2	Pay bill - teachers	Staff	113,134	13,603	30,608	Yes	No	National Terms & Conditions & pay negotiations
3	Care Home Placement - Adults	Contracts	55,889	4,168	9,633	No	Yes	NCS (Scotland) Bill
4	AWPR / Aberdeen Roads Ltd	Contracts	44,406	(191)	27,911	Yes	No	Contract terms and conditions
5	Housing Benefits	Transfer	39,081	(7,313)	(18,209)	Yes	No	Universal Credit & Economic Conditions
6	Bon Accord Care - ALEO	Contracts	38,171	5,318	9,161	No	Yes	NCS (Scotland) Bill
7	Capital Financing Costs	Capital Financing	37,084	3,073	(1,173)	Yes	Yes	Capital programme
8	Unitary Charge - Schools	Assets	20,203	872	2,236	Yes	No	Inflation & Number of Buildings
9	Utilities	Assets	17,252	8,997	8,521	Yes	No	Inflation
10	Suez waste disposal Contract	Contracts	16,563	(1,386)	(2,358)	No	Yes	Contract terms and conditions
11	Non-domestic Rates	Assets	14,301	3,622	1,777	Yes	Yes	Number & Value of Buildings
12	Care Home Placement - Children	Contracts	11,925	(735)	859	No	Yes	NCS (Scotland) Bill
13	ELC Provider Payments	Contracts	10,606	(2,346)	7,702	Yes	Unknown	Living Wage & sustainable rate
14	Fostering Payments - External	Contracts	9,504	(871)	(619)	No	Yes	NCS (Scotland) Bill
15	External Rents	Assets	7,423	352	163	Yes	No	Contract terms and conditions
16	Software Licences	Contracts	6,022	2,277	2,684	Yes	No	Inflation
17	Hire of Vehicles	Contracts	4,902	858	267	Yes	Yes	Number of Employees
18	Sport Aberdeen - ALEO	Contracts	4,815	146	(644)	Yes	No	Budget decisions
19	Provision for Bad Debt	Contracts	3,326	(198)	2,895	Yes	No	Collection levels
20	Fostering Payments - ACC	Contracts	820	72	(34)	No	Yes	NCS (Scotland) Bill
			673,846	**63,287**	**119,589**			

APPENDIX 2 : 2023 GENERAL FUND CAPITAL PROGRAMME

Outturn 2022/23 £'000	NHCP No.	General Fund Capital Programme	Budget 2023/24 £'000	Budget 2024/25 £'000	Budget 2025/26 £'000	Budget 2026/27 £'000	Budget 2027/28 £'000	5 Year Total £'000
		Projects Due for Completion in 2022/23						
10	807	A96 Park & Choose / Dyce Drive Link Road	0	0	0	0	0	0
26	811	Social Care Facilities - Len Ironside Centre	0	0	0	0	0	0
4	843	Station House Media Unit Extension	0	0	0	0	0	0
7,008	848	JIVE (Hydrogen Buses Phase 2)	0	0	0	0	0	0
5	857	Central Library Roof & Parapets	0	0	0	0	0	0
686	871	Low Emissions Zone	0	0	0	0	0	0
78	876	Campus Model for Co-location of Public Services	0	0	0	0	0	0
52	879	The Woodies Environmental Improvements	0	0	0	0	0	0
12	882	Auchmill Community Woodland Path	0	0	0	0	0	0
10,624	886	Bus Prioritisation Fund	0	0	0	0	0	0
205	888	Nature Restoration Fund	0	0	0	0	0	0
217	889	CO2 Monitors	0	0	0	0	0	0
18,927			**0**	**0**	**0**	**0**	**0**	**0**
		Rolling Programmes						
8,424	294	Corporate Property Condition & Suitability	8,000	8,000	8,000	8,000	8,000	40,000
1,467	551	Cycling Walking Safer Streets	993	0	0	0	0	993
1,874	765G	Nestrans Capital Grant	1,000	1,000	1,000	1,000	1,000	5,000
998	779	Private Sector Housing Grant (PSHG)	600	550	600	600	600	2,950
8,918	784	Fleet Replacement Programme	2,500	4,500	4,500	4,500	4,500	20,500
6,459	789	Planned Renewal & Replacement of Roads Infrastructure	5,000	5,000	5,000	4,000	4,000	23,000
1,431	789E	Street Lighting	1,000	1,000	1,000	800	800	4,600
1,383	835	Street Lighting LED Lanterns (PACE 5 Year programme)	0	0	0	0	0	0
3,878	861	Additional Investment in Roads	3,000	3,000	4,500	4,500	4,500	19,500
1,881	875	Investment in Digital Transformation	5,500	4,500	1,300	1,300	0	12,600
2,292	877	Northfield Swimming Pool	150	0	0	0	0	150
39,005			**27,743**	**27,550**	**25,900**	**24,700**	**23,400**	**129,293**
		City Region Deal						
44	825	City Deal	0	0	0	0	0	0
910	845	City Deal: Strategic Transport Appraisal	0	0	0	0	0	0
2,100	847	City Deal: Digital Infrastructure	0	0	0	0	0	0
2,921	852	City Deal: City Duct Network	0	0	0	0	0	0
2,298	854	City Deal: Transportation Links to Bay of Nigg	2,500	9,850	10,000	0	0	22,350
80	862	City Deal: Digital Lead	110	0	0	0	0	110
8,353			**2,610**	**9,850**	**10,000**	**0**	**0**	**22,460**
		Fully Legally Committed Projects						
328	587	Access from the North / 3rd Don Crossing	817	0	0	0	0	817
4,205	627	Aberdeen Western Peripheral Route	943	0	0	0	0	943
314	776	Orchard Brae	0	0	0	0	0	0
500	799B	Art Gallery Redevelopment - Main Contract (HLF)	0	0	0	0	0	0
166	805	Technology Investment Requirements & Digital Strategy	250	0	0	0	0	250
2,151	809	New Milltimber Primary	241	0	0	0	0	241
5	810C	Energy from Waste (EfW) Procurement and Land Acq.	36	0	0	0	0	36
16,788	810K	Energy from Waste (EfW) Construction	2,000	0	0	0	0	2,000
18,925	810K	Torry Heat Network	0	0	0	0	0	0
77	812	Kingsfield Childrens Home	0	0	0	0	0	0
500	819	Tillydrone Community Hub	0	0	0	0	0	0
4,108	821	New Aberdeen Exhibition & Conference Centre	3,000	0	0	0	0	3,000
2,109	824	City Centre Regeneration	300	0	0	0	0	300
500	824	Provost Skene House	0	0	0	0	0	0
4,308	824	Union Terrace Gardens	0	0	0	0	0	0
82	828	Greenbrae Primary Extension and Internal Works	0	0	0	0	0	0
492	831	Stoneywood Primary	0	0	0	0	0	0
20,500	841	Torry Primary School and Hub	5,893	351	0	0	0	6,244
1,300	855	Early Learning & Childcare	0	0	0	0	0	0
100	859	ICT: Human Capital Management System	0	0	0	0	0	0
11,937	865	Countesswells Primary	1,767	0	0	0	0	1,767
1,607	873	Queen Street Redevelopment (including Mortuary)	0	0	0	0	0	0
410	878	St Peters RC Primary Relocation (Design Development)	0	0	0	0	0	0
1,060	885	Place Based Investment Fund	0	0	0	0	0	0
183	890	Dyce Library Relocation	700	0	0	0	0	700
8,500	894	Joint Integrated Mortuary	21,900	600	0	0	0	22,500
2,500	896	Bucksburn Academy Extension (temporary solution)	0	0	0	0	0	0
70	898	King's Gate & Forest Road Pedestrian Crossings	0	0	0	0	0	0
250	899	Lighting in St Nicholas Kirkyard	0	0	0	0	0	0
500	900	Demolition of old Milltimber Primary	0	0	0	0	0	0

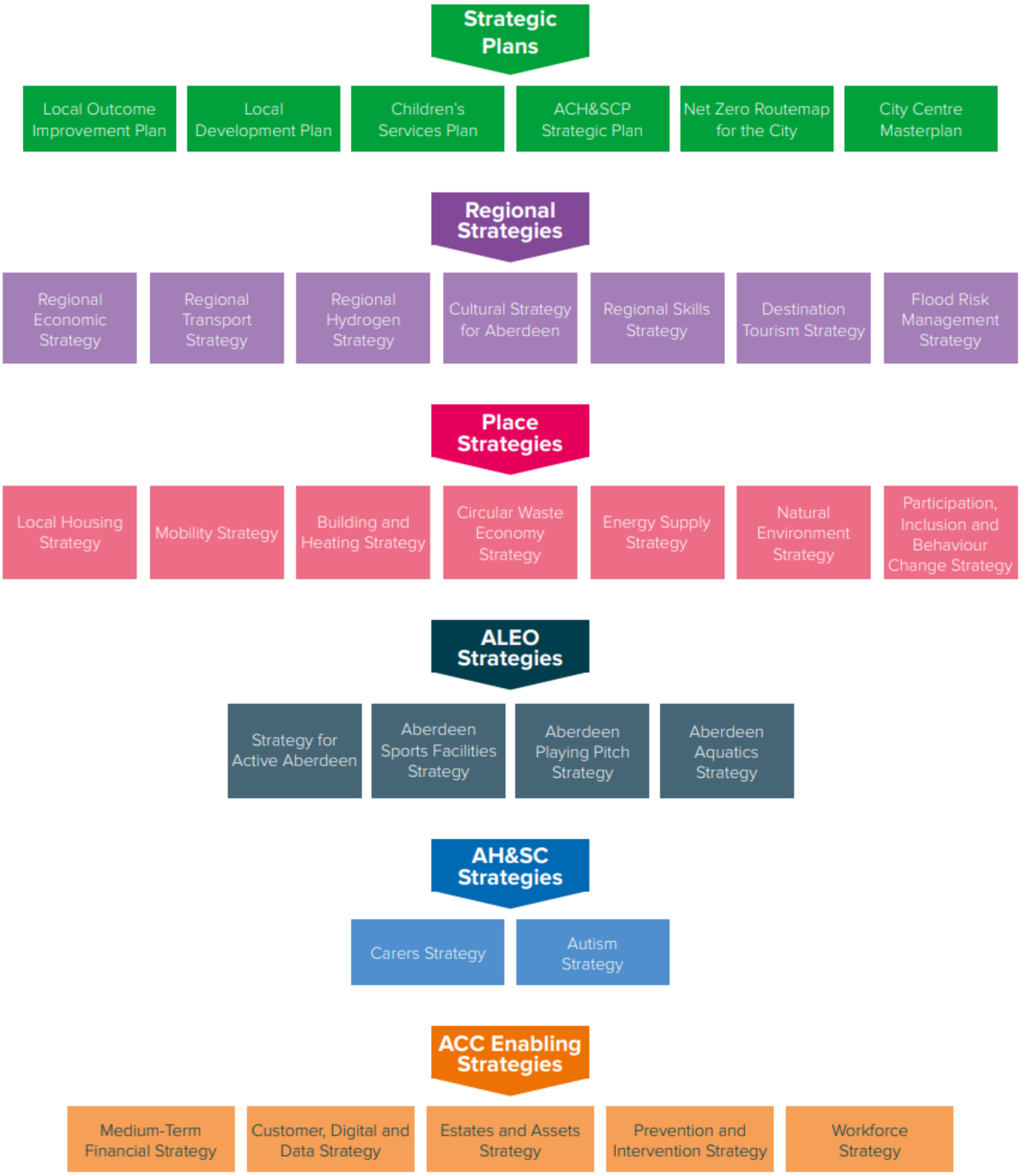
Outturn 2022/23 £'000	NHCP No.	General Fund Capital Programme	Budget 2023/24 £'000	Budget 2024/25 £'000	Budget 2025/26 £'000	Budget 2026/27 £'000	Budget 2027/28 £'000	5 Year Total £'000
30	901	Upgrade of Paths in Newburgh Estate	0	0	0	0	0	0
1,310	903	Investment in Chapel Street Car Park	0	0	0	0	0	0
74	905	Gaist Footway Survey	0	0	0	0	0	0
684	906	Waste : Sclattie Segregation Bays	0	0	0	0	0	0
106,573			**37,847**	**951**	**0**	**0**	**0**	**38,798**
		Partially Legally Committed Projects						
4,000	791	Strategic Land Acquisition	1,000	0	0	0	0	1,000
0	806A	South College Street (Phase 1)	484	0	0	0	0	484
2,135	806B	CATI - Berryden Corridor (Combined Stages 1, 2 & 3)	4,300	15,600	9,900	8,500	0	38,300
0	808B	New Academy to the South - Infrastructure Improvements	280	0	0	0	0	280
1,048	810J	Bridge of Don Household Waste Recycling Centre (HWRC)	1,830	0	0	0	0	1,830
881	820	Investment in Tenanted Non-Residential Property Portfolio	0	0	0	0	0	0
57	836	Flood Prevention Measures: Flood Guards Grant Scheme	100	100	100	103	0	403
5,487	840	Tillydrone Primary School	19,000	11,700	0	0	0	30,700
165	844	Sustrans Active Travel Infrastructure Fund	300	400	0	0	0	700
916	868	Car Parking Infrastructure	500	0	0	0	0	500
653	869	Safety and Security Measures (including CCTV)	500	0	0	0	0	500
360	872	Smart City	0	0	0	0	0	0
133	874	B999 Shielhill Road Junction Improvements	500	110	0	0	0	610
344	880	Electric Vehicle Infrastructure	0	0	0	0	0	0
7,954	881	Aberdeen Hydrogen Hub	10,500	0	0	0	0	10,500
32,931	883	City Centre and Beach Masterplans	22,000	45,000	31,000	0	0	98,000
185	887	Play Park Renewal Programme	373	559	932	0	0	1,864
1,500	891	Aberdeen Hydrogen Hub (Joint Venture)	13,500	4,400	0	0	0	17,900
50	892	Defibrillators	0	0	0	0	0	0
214	893	RFID Communal Bin Tag System	6	0	0	0	0	6
3,000	904	Photovoltaic Systems	0	0	0	0	0	0
897	908	Expansion of Free School meals	2,450	0	0	0	0	2,450
62,910			**77,623**	**77,869**	**41,932**	**8,603**	**0**	**206,027**
		Projects with indicative budgets						
0	838	Flood Prevention Measures - Peterculter	0	800	1,600	0	0	2,400
845	884	Torry Development Trust - Former Victoria Road School	564	0	0	0	0	564
0	895	St Peters RC Primary Relocation	500	1,000	7,750	7,750	0	17,000
3,088	999	Contingency	2,670	4,500	4,500	0	0	11,670
3,933			**3,734**	**6,300**	**13,850**	**7,750**	**0**	**31,634**
		New Projects - School Estate - Indicative Budgets						
0	tbc	A5 - Review signage in all schools	62	62	0	0	0	124
0	tbc	AG1 - Aberdeen Grammar School increasing roll	0	0	150	0	0	150
0	tbc	B1 - Bucksburn Academy Extension	440	880	5,940	5,940	0	13,200
0	tbc	B2 - Bucksburn / Newhills additional primary school	0	750	1,500	14,000	11,250	27,500
0	tbc	CA1 - Victorian School Buildings	0	1,000	1,000	1,000	1,000	4,000
0	tbc	H1 - Rubislaw & Harlaw Rd Sportsfields review	0	500	0	0	0	500
0	tbc	H2 School Estate Plan and Improvements	0	500	1,000	1,000	1,000	3,500
0	tbc	H3 - Ferryhill School Suitability Improvements	250	0	0	250	750	1,250
0	tbc	HH1 Countesswells 2nd new Primary School	0	0	750	1,500	14,000	16,250
0	tbc	HH2 - Hazlehead / Countesswells Secondary Provision	3,050	6,100	41,175	41,175	0	91,500
0	tbc	L1 - Loirston Loch additional primary provision	0	0	750	1,500	14,000	16,250
0	tbc	N2 - Northfield ASG Primary School Excess Capacity	0	0	0	500	0	500
0	tbc	NA1 - Grandhome / Oldmachar / Bridge of Don secondary provision	0	0	0	0	3,050	3,050
0	tbc	O1 - Grandhome additional primary school	0	750	1,500	14,000	11,250	27,500
0	tbc	O3 - Oldmachar ASG Primary School Excess Capacity	0	0	0	500	0	500
0	tbc	RC2 - Denominational Primary Schools Feasibility	0	0	500	0	0	500
0	tbc	S3 - St Machar Academy outdoor space improvements	0	200	500	0	0	700
0			**3,802**	**10,742**	**54,765**	**81,365**	**56,300**	**206,974**
		New Projects - Roads Investment - Indicative Budgets						
0	tbc	Road Safety Fund	200	200	200	200	200	1,000
0	tbc	New Cycle Lockers	10	10	10	10	10	50
0	tbc	Expansion of mandatory 20mph limits in residential areas	0	400	400	400	400	1,600
50	tbc	Berryden Corridor - Ashgrove Connects	800	965	0	0	0	1,765
0	tbc	Installation of New Bus Shelters	142	142	142	142	142	710
0	tbc	Options for New River Dee foot and cycle bridge	0	0	750	750	0	1,500
0	tbc	Electric Vehicle Charging Network	2,000	1,000	3,000	3,000	3,000	12,000
50			**3,152**	**2,717**	**4,502**	**4,502**	**3,752**	**18,625**

Outturn 2022/23 £'000	NHCP No.	General Fund Capital Programme	Budget 2023/24 £'000	Budget 2024/25 £'000	Budget 2025/26 £'000	Budget 2026/27 £'000	Budget 2027/28 £'000	5 Year Total £'000
		New Projects - Other - Indicative Budgets						
0	tbc	Kittybrewster Feasibility and Condition Suitability	1,000	2,000	0	0	0	3,000
0	tbc	Extend Aberdeen's district heating network - Market Street Link	1,150	5,000	2,900	16,490	9,000	34,540
0	tbc	Play Park Maintenance and Investment	0	0	0	175	175	350
0	tbc	Investment in Education ICT	6,500	2,800	2,800	2,800	2,800	17,700
0	tbc	Bairns Hoose Business Case	500	500	0	0	0	1,000
0	tbc	Net Zero Adaptations - Public Buildings - Feasibilities	300	300	300	300	0	1,200
0	tbc	Inchgarth Community Centre	1,000	1,515	0	0	0	2,515
0	tbc	Burial Grounds	500	500	0	0	0	1,000
0	tbc	Webcasting of Committee Meetings	40	0	0	0	0	40
0	tbc	CCMP Phase 3: Schoolhill and Upperkirkgate	0	0	0	0	9,000	9,000
0	tbc	Union Street Empty Shop Units	250	250	0	0	0	500
0	tbc	Asset Rationalisation - Site Preparation & Clearance	1,500	2,500	1,300	0	0	5,300
0	tbc	Great Western Community Trust - Holburn West Church Grant	250	0	0	0	0	250
0	tbc	Council Climate Plan Local Heat and Energy Efficiency Strategy	75	75	0	0	0	150
0	tbc	Council Climate Plan Feasibility studies for net zero	300	300	300	300	300	1,500
0	tbc	Council Climate Plan Increase natural grassland and wildflowers	60	0	0	0	0	60
0	tbc	Council Climate Plan Community run greenspaces	50	0	0	0	0	50
0	tbc	Council Climate Plan Increase food growing	100	0	0	0	0	100
0	tbc	Council Climate Plan Redesign Car Club	100	0	0	0	0	100
0	tbc	Council Climate Plan Climate Data Tool	100	0	0	0	0	100
0			**13,775**	**15,740**	**7,600**	**20,065**	**21,275**	**78,455**
239,751		**Totals**	**170,286**	**151,719**	**158,549**	**146,985**	**104,727**	**732,266**

Budget 2022/23 £'000	NHCP No.	General Fund Capital Programme - Funding	Budget 2023/24 £'000	Budget 2024/25 £'000	Budget 2025/26 £'000	Budget 2026/27 £'000	Budget 2027/28 £'000	5 Year Total £'000
(1,467)	551	Cycling Walking Safer Streets	(993)	0	0	0	0	(993)
(2,000)	587	Access from the North / 3rd Don Crossing	0	0	0	0	0	0
(1,781)	809	New Milltimber Primary	0	0	0	0	0	0
(124)	810C	Energy from Waste (EfW) Procurement and Land Acq.	0	0	0	0	0	0
(5,519)	810K	Energy from Waste (EfW) Construction & Torry Heat Network	0	0	0	0	0	0
(133)	824	City Centre Regeneration	0	0	0	0	0	0
(115)	828	Greenbrae Primary Extension and Internal Works	0	0	0	0	0	0
(3,408)	831	Stoneywood Primary	0	0	0	0	0	0
(77)	836	Flood Prevention Measures: Flood Guards Grant Scheme	(80)	(80)	(54)	(76)	0	(290)
0	838	Flood Prevention Measures - Peterculter	(2,400)	0	0	0	0	(2,400)
(8,405)	848	JIVE (Hydrogen Buses Phase 2)	0	0	0	0	0	0
(2,921)	852	City Deal: City Duct Network	0	0	0	0	0	0
(2,298)	854	City Deal: Transportation Links to Bay of Nigg	(2,500)	(9,850)	(10,000)	0	0	(22,350)
(80)	862	City Deal: Digital Lead	(110)	0	0	0	0	(110)
0	865	Countesswells Primary	(1,342)	(2,500)	(1,442)	0	0	(5,284)
(686)	871	Low Emission Zone	0	0	0	0	0	0
(133)	874	B999 Shielhill Road Junction	(150)	0	0	0	0	(150)
(1,100)	877	Northfield Swimming Pool	0	0	0	0	0	0
(4,500)	881	Aberdeen Hydrogen Hub	(10,500)	0	0	0	0	(10,500)
(2,318)	883	City Centre and Beach Masterplans	(16,932)	0	0	0	0	(16,932)
(845)	884	Torry Development Trust - Former Victoria Road School	(564)	0	0	0	0	(564)
(1,060)	885	Place Based Investment Fund	0	0	0	0	0	0
(10,094)	886	Bus Prioritisation Fund	0	0	0	0	0	0
(183)	890	Dyce Library Relocation	(572)	0	0	0	0	(572)
(214)	893	RFID Communal Bin Tag System	(6)	0	0	0	0	(6)
(8,500)	894	Joint Integrated Mortuary	(17,363)	0	0	0	0	(17,363)
(1,310)	903	Investment in Chapel Street Car Park	0	0	0	0	0	0
(74)	905	Gaist Footway Survey	0	0	0	0	0	0
(74)	906	Waste : Sclattie Segregation Bays	0	0	0	0	0	0
0	tbc	B1 - Bucksburn Academy Extension	0	0	0	(1,000)	(1,000)	(2,000)
0	tbc	B2 - Bucksburn / Newhills additional primary provision	0	0	0	(1,500)	(1,500)	(3,000)
0	tbc	HH2 - Hazlehead / Countesswells Secondary Provision	0	0	0	(1,800)	(6,300)	(8,100)
0	tbc	L1 - Loirston Loch additional primary provision	0	0	0	0	(628)	(628)
0	tbc	NA1 - Grandhome / Oldmachar / Bridge of Don secondary provision	0	0	0	0	0	0

Outturn 2022/23 £'000	NHCP No.	General Fund Capital Programme	Budget 2023/24 £'000	Budget 2024/25 £'000	Budget 2025/26 £'000	Budget 2026/27 £'000	Budget 2027/28 £'000	5 Year Total £'000
0	tbc	HH1 Countesswells 2nd new Primary School	0	0	0	0	(1,000)	(1,000)
0	tbc	O1 - Grandhome primary schools	0	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)
0	tbc	Inchgarth Community Centre	(1,000)	(900)	0	0	0	(1,900)
(50)	tbc	Berryden Corridor - Ashgrove Connects	(800)	(965)	0	0	0	(1,765)
0	tbc	Electric Vehicle Charging Network	0	0	(3,000)	(3,000)	(3,000)	(9,000)
(59,469)		**1. Programme Funding Streams Sub-Total**	**(55,311)**	**(15,295)**	**(15,496)**	**(8,376)**	**(14,428)**	**(108,906)**
(19,670)		**2. Capital Grant**	**(25,614)**	**(19,071)**	**(19,444)**	**(18,512)**	**(18,512)**	**(101,153)**
(160,612)		**3. Borrowing**	**(89,360)**	**(117,353)**	**(123,609)**	**(120,097)**	**(71,787)**	**(522,206)**
(239,751)		**Sub-total**	**(170,286)**	**(151,719)**	**(158,549)**	**(146,985)**	**(104,727)**	**(732,266)**
0		**Net Position**	**0**	**0**	**0**	**0**	**0**	**0**

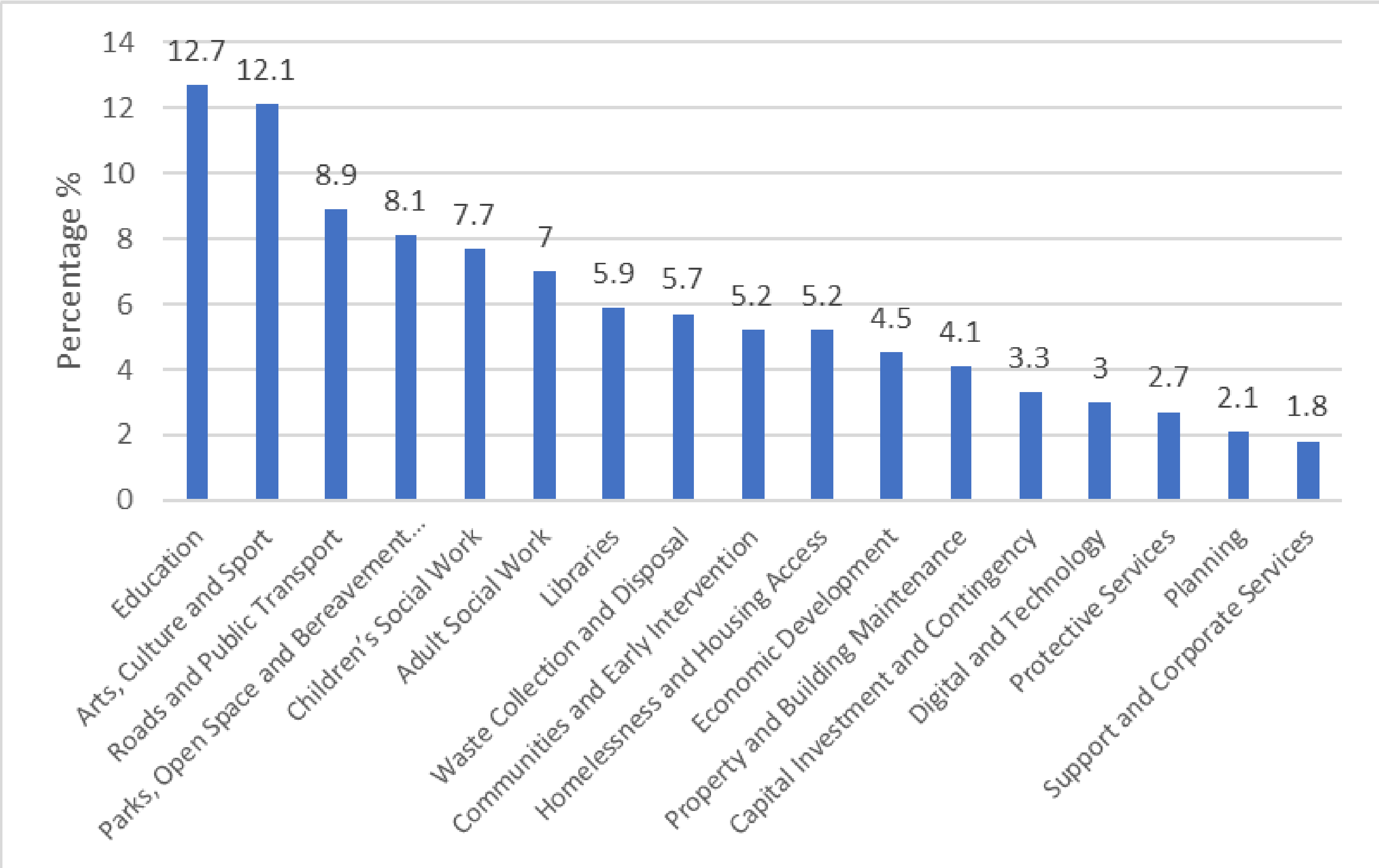
APPENDIX 3 : STRATEGY FRAMEWORK



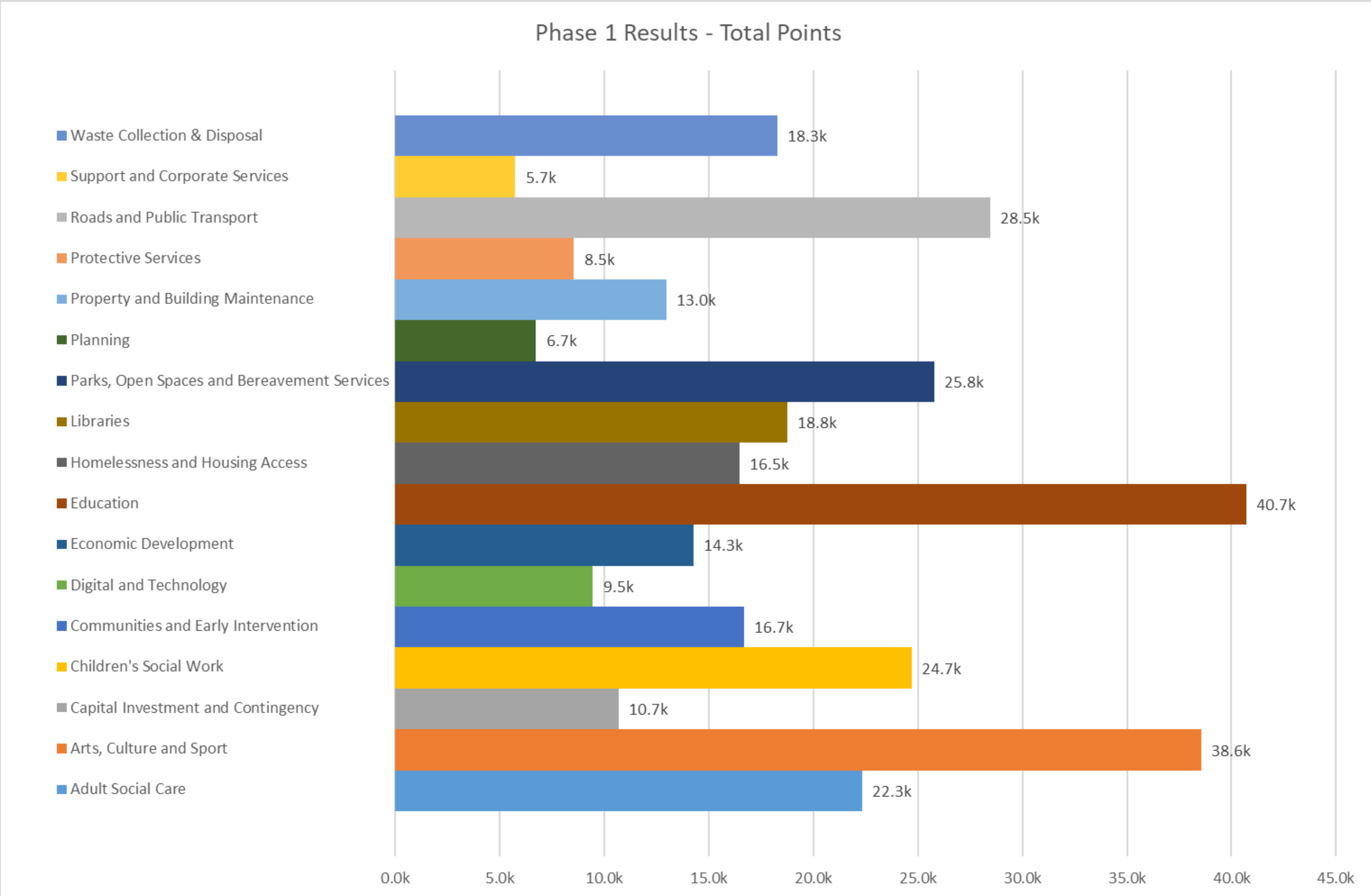
APPENDIX 4 : PHASE 1 BUDGET CONSULTATION RESULTS

Overall Results : Total number of respondents 3,192

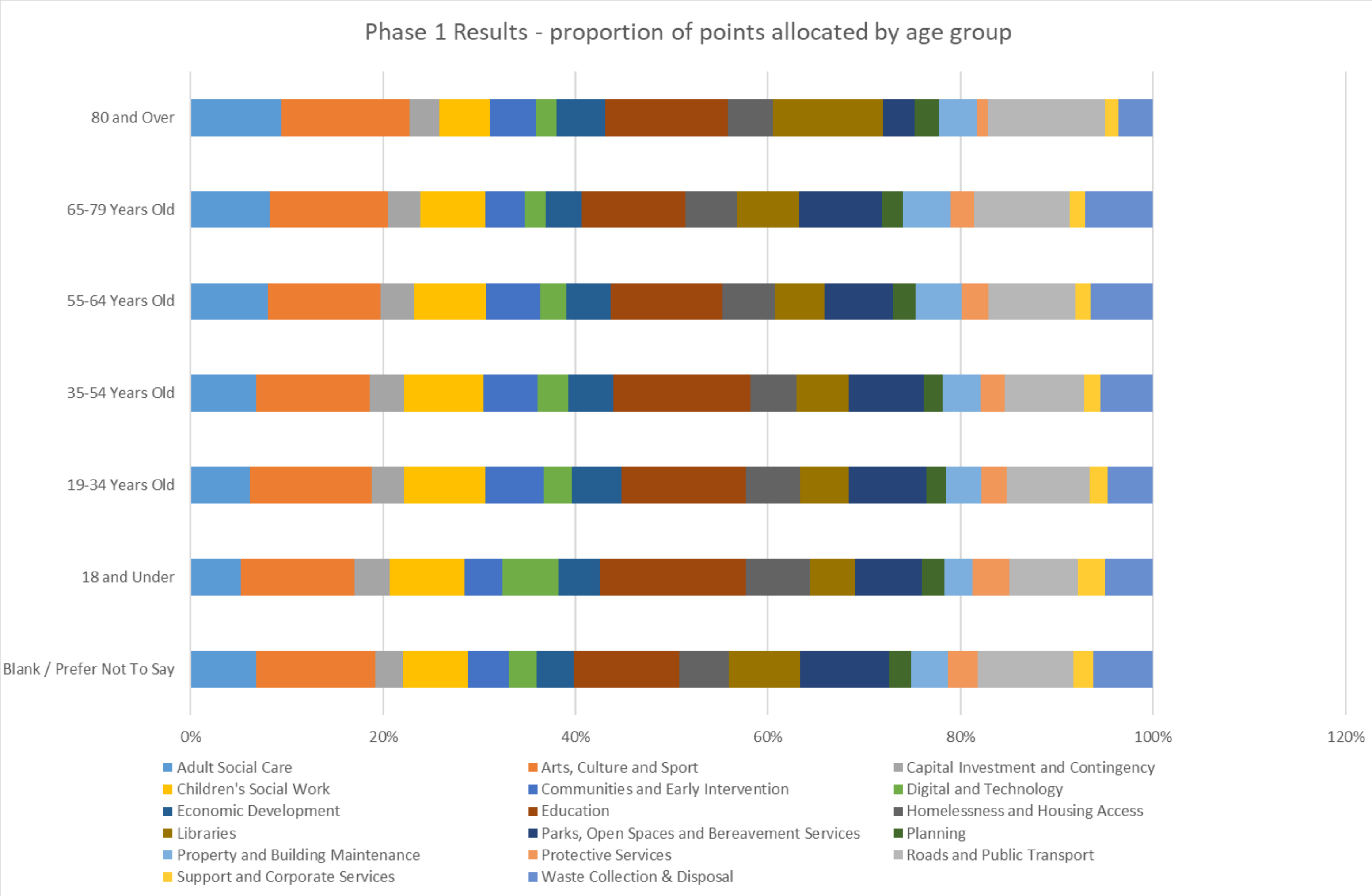
Graph 1 : Proportion of Points Awarded to each Service Category

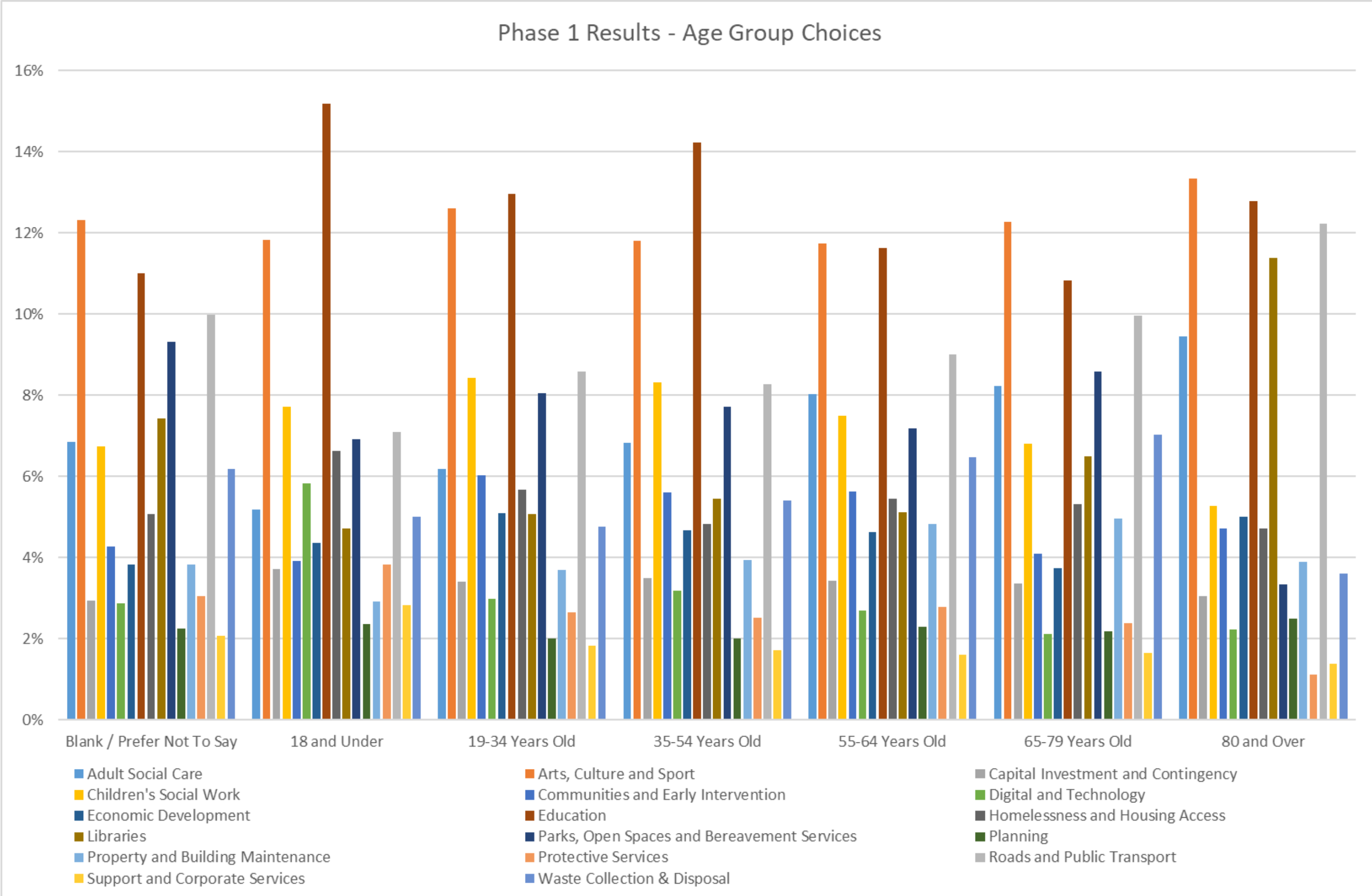


Graph 2 : Allocation of points to Service Categories



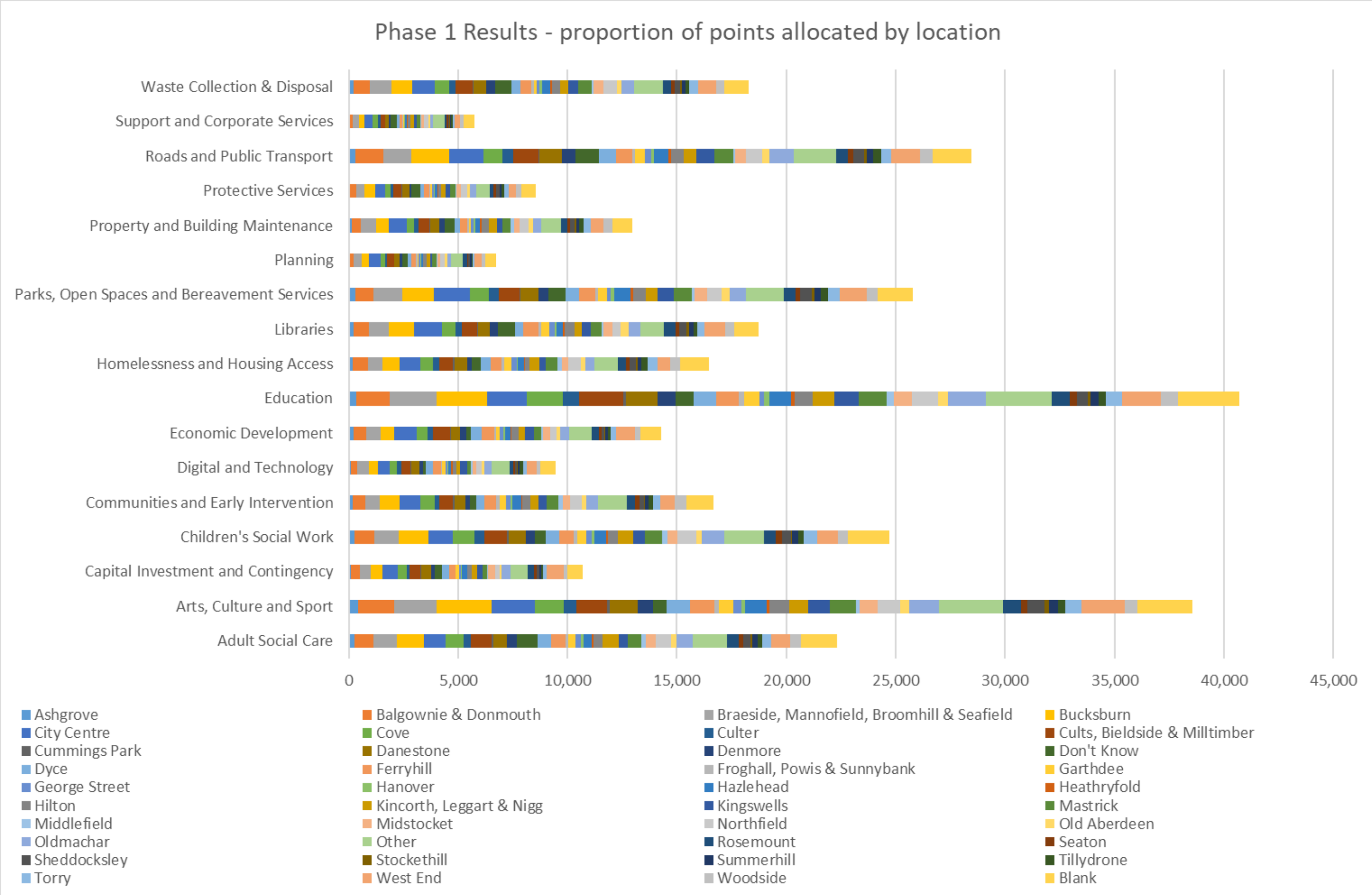
Graphs 3 - 4 : Age Statistics



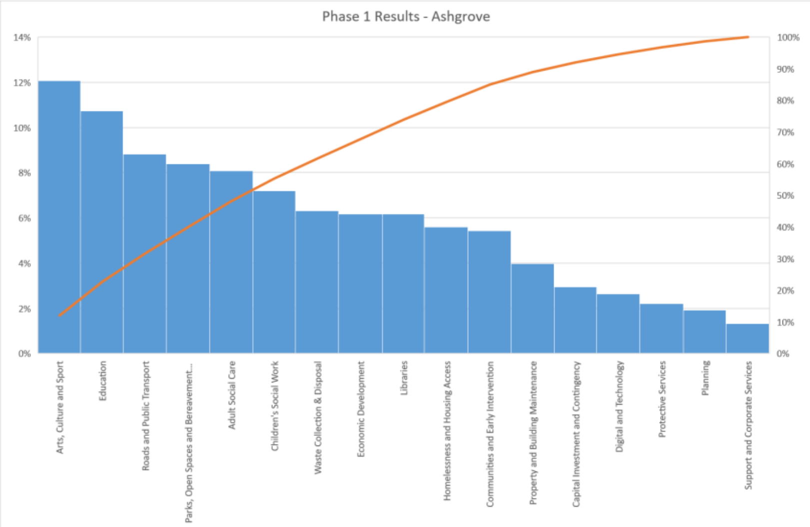


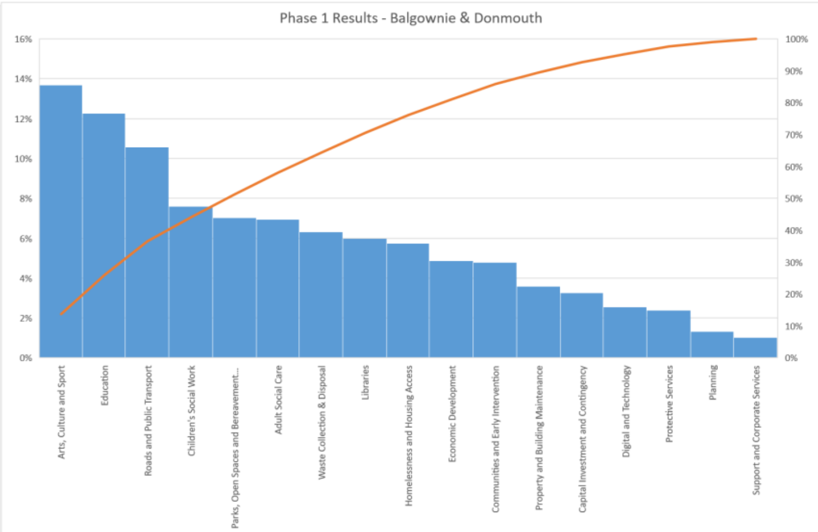
Age Data	Adult Social Care	Arts, Culture and Spo	Capital Investment and Contingen	Children's Social Work	Communities and Early Interventio	Digital and Technolo	Economic Developmen	Educatio	Homelessness and Housing Access	Libraries	Parks, Open Spaces and Bereavement Services	Planning	Property and Building Maintenanc	Protective Services	Roads and Public Transpo	Support and Corporate Services	Waste Collection & Disposal
Blank / Prefer Not To Say	7%	12%	3%	7%	4%	3%	4%	11%	5%	7%	9%	2%	4%	3%	10%	2%	6%
18 and Under	5%	12%	4%	8%	4%	6%	4%	15%	7%	5%	7%	2%	3%	4%	7%	3%	5%
19-34 Years Old	6%	13%	3%	8%	6%	3%	5%	13%	6%	5%	8%	2%	4%	3%	9%	2%	5%
35-54 Years Old	7%	12%	3%	8%	6%	3%	5%	14%	5%	5%	8%	2%	4%	3%	8%	2%	5%
55-64 Years Old	8%	12%	3%	8%	6%	3%	5%	12%	5%	5%	7%	2%	5%	3%	9%	2%	6%
65-79 Years Old	8%	12%	3%	7%	4%	2%	4%	11%	5%	6%	9%	2%	5%	2%	10%	2%	7%
80 and Over	9%	13%	3%	5%	5%	2%	5%	13%	5%	11%	3%	3%	4%	1%	12%	1%	4%

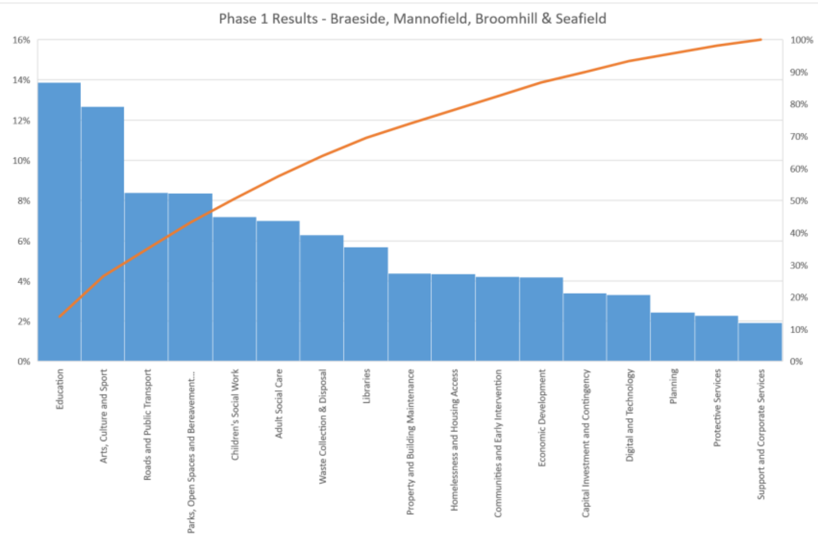
Graphs 5 - 45 : Location Statistics

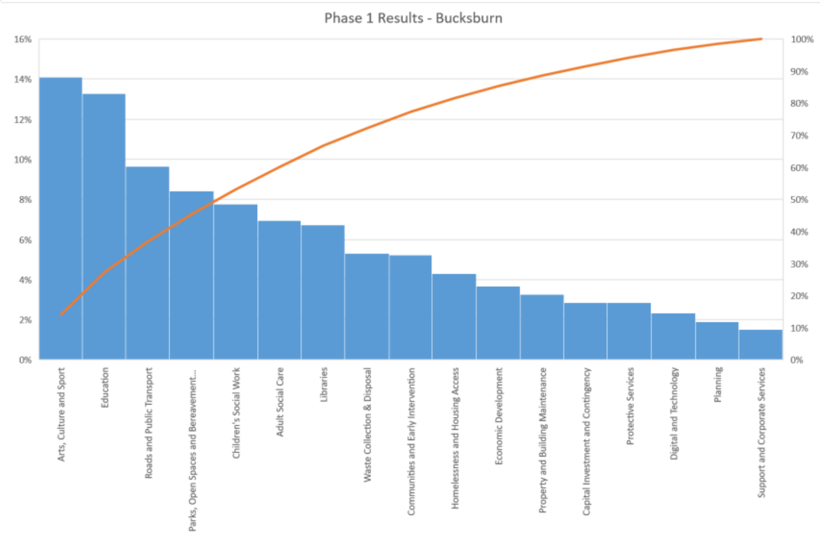


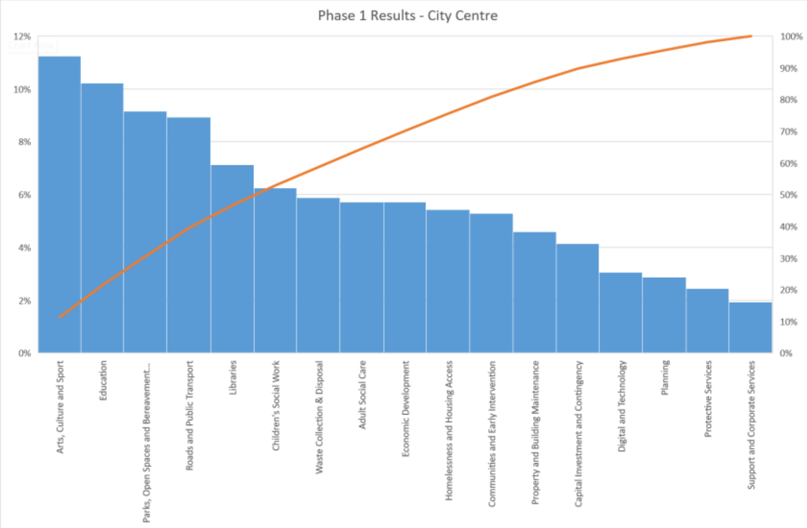
Location Data	Adult Social Care	Arts, Culture and Spo	Capital Investment and Contingen	Children's Social Work	Communities and Early Interventio	Digital and Technolo	Economic Developmen	Educatic	Homelessness and Housing Access	Libraries	Parks, Open Spaces and Bereavement Services	Planning	Property and Building Maintenanc	Protective Services	Roads and Public Transpo	Support and Corporate Services	Waste Collection & Disposal
Ashgrove	8%	12%	3%	7%	5%	3%	6%	11%	6%	6%	8%	2%	4%	2%	9%	1%	6%
Balgownie & Donmouth	7%	14%	3%	8%	5%	3%	5%	12%	6%	6%	7%	1%	4%	2%	11%	1%	6%
Braeside, Mannofield, Broomhill & Seafield	7%	13%	3%	7%	4%	3%	4%	14%	4%	6%	8%	2%	4%	2%	8%	2%	6%
Bucksburn	7%	14%	3%	8%	5%	2%	4%	13%	4%	7%	8%	2%	3%	3%	10%	2%	5%
City Centre	6%	11%	4%	6%	5%	3%	6%	10%	5%	7%	9%	3%	5%	2%	9%	2%	6%
Cove	7%	12%	3%	9%	6%	3%	5%	14%	5%	6%	8%	2%	3%	2%	8%	2%	6%
Culter	7%	11%	3%	8%	4%	4%	4%	14%	5%	6%	8%	2%	4%	2%	9%	3%	5%
Cults, Bieldside & Milltimber	7%	11%	4%	8%	5%	3%	6%	15%	5%	5%	7%	2%	4%	3%	9%	1%	6%
Cummings Park	8%	11%	3%	7%	6%	3%	3%	17%	6%	4%	7%	2%	5%	3%	7%	2%	4%
Danestone	6%	12%	4%	7%	5%	3%	4%	14%	6%	5%	8%	2%	4%	3%	10%	1%	6%
Denmore	8%	13%	3%	7%	4%	3%	4%	14%	4%	6%	8%	2%	4%	1%	11%	2%	7%
Dyce	7%	13%	4%	8%	5%	4%	6%	13%	5%	5%	8%	2%	3%	2%	10%	2%	5%
Ferryhill	7%	12%	3%	7%	6%	4%	6%	11%	6%	7%	8%	2%	4%	3%	8%	1%	5%
Froghall, Powis & Sunnybank	6%	10%	2%	9%	9%	3%	4%	13%	7%	7%	6%	4%	3%	2%	8%	3%	7%
Garthdee	8%	14%	3%	9%	6%	3%	4%	14%	6%	8%	9%	1%	2%	2%	9%	1%	2%
George Street	9%	12%	3%	9%	7%	2%	4%	8%	8%	9%	6%	3%	4%	2%	9%	1%	5%
Hanover	6%	11%	3%	7%	7%	2%	5%	14%	4%	4%	10%	2%	5%	3%	7%	1%	7%
Hazlehead	6%	14%	4%	8%	6%	2%	4%	15%	4%	4%	11%	1%	3%	2%	10%	1%	5%
Heathryfold	6%	10%	1%	9%	5%	5%	3%	14%	4%	7%	8%	2%	5%	2%	10%	2%	5%
Hilton	7%	14%	3%	7%	6%	3%	5%	12%	3%	7%	9%	2%	5%	2%	9%	2%	6%
Kincorth, Leggart & Nigg	9%	11%	3%	9%	5%	2%	4%	13%	6%	4%	8%	2%	5%	3%	7%	2%	5%
Kingswells	5%	13%	3%	7%	4%	4%	5%	14%	4%	5%	9%	1%	3%	2%	11%	2%	6%
Mastrick	7%	13%	2%	8%	6%	2%	4%	14%	6%	5%	9%	2%	4%	3%	9%	2%	6%
Middlefield	9%	7%	2%	10%	9%	3%	3%	13%	9%	4%	6%	2%	8%	2%	5%	2%	5%
Midstocket	7%	13%	5%	7%	5%	3%	5%	12%	4%	6%	8%	2%	4%	3%	7%	2%	6%
Northfield	8%	11%	2%	9%	6%	3%	3%	13%	6%	4%	7%	2%	5%	3%	8%	2%	7%
Old Aberdeen	6%	11%	3%	7%	5%	3%	4%	11%	5%	10%	9%	3%	5%	3%	8%	2%	6%
Oldmachar	7%	12%	4%	9%	5%	3%	4%	16%	4%	5%	7%	2%	3%	3%	10%	1%	5%
Rosemount	7%	12%	4%	8%	5%	2%	5%	11%	5%	8%	8%	3%	4%	3%	8%	2%	5%
Seaton	7%	9%	4%	9%	6%	3%	4%	12%	6%	6%	7%	2%	5%	3%	8%	2%	6%
Sheddocksley	7%	16%	2%	8%	4%	1%	3%	10%	6%	7%	11%	2%	4%	3%	10%	2%	5%
Stockethill	5%	17%	3%	5%	5%	3%	3%	10%	4%	10%	10%	2%	4%	2%	12%	2%	5%
Summerhill	8%	13%	3%	8%	5%	3%	4%	12%	6%	6%	9%	1%	5%	3%	9%	1%	6%
Tillydrone	7%	9%	2%	8%	6%	4%	4%	10%	8%	5%	9%	2%	6%	3%	10%	3%	5%
Torry	6%	12%	3%	10%	5%	3%	3%	12%	7%	5%	9%	1%	5%	3%	8%	1%	6%
West End	6%	13%	5%	7%	4%	3%	6%	12%	4%	6%	8%	2%	4%	2%	9%	2%	6%
Woodside	7%	9%	2%	7%	8%	3%	3%	11%	7%	6%	7%	3%	6%	4%	9%	2%	6%
Don't Know	11%	7%	4%	6%	3%	2%	2%	9%	4%	9%	8%	3%	5%	5%	12%	3%	8%
Other	7%	13%	3%	8%	6%	4%	5%	13%	5%	5%	8%	2%	4%	3%	8%	2%	6%
Blank	8%	11%	3%	9%	6%	3%	4%	13%	6%	5%	7%	2%	4%	3%	8%	2%	5%

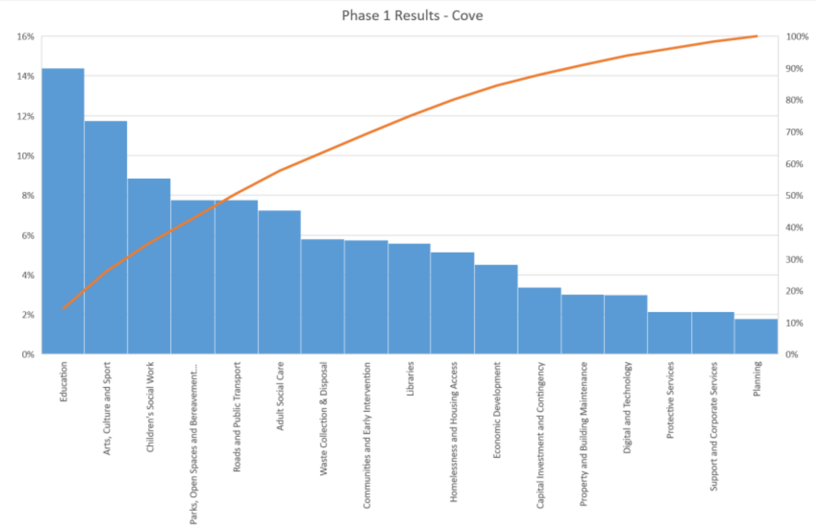

Phase 1 Results - Ashgrove
Arts, Culture and Sport
Education
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Adult Social Care
Children's Social Work
Waste Collection & Disposal
Economic Development
Libraries
Homelessness and Housing Access
Communities and Early Intervention
Property and Building Maintenance
Capital Investment and Contingency
Digital and Technology
Protective Services
Planning
Support and Corporate Services

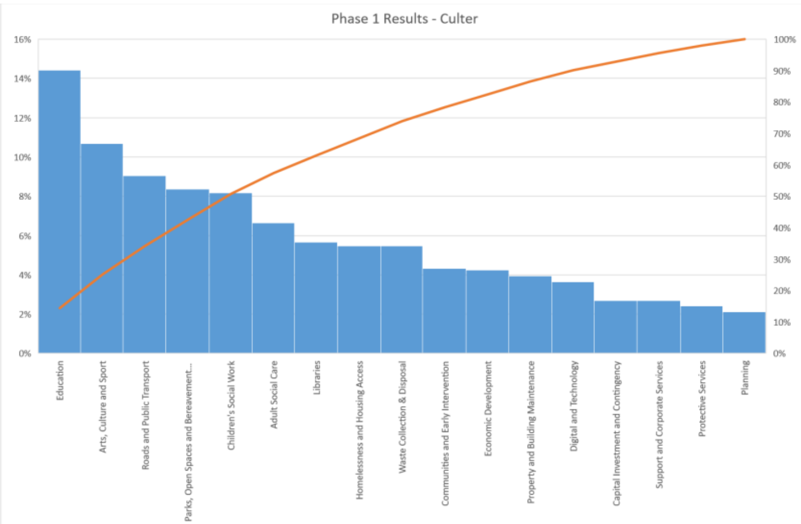

Phase 1 Results - Balgownie & Donmouth
Arts, Culture and Sport
Education
Roads and Public Transport
Children's Social Work
Parks, Open Spaces and Bereavement...
Adult Social Care
Waste Collection & Disposal
Libraries
Homelessness and Housing Access
Economic Development
Communities and Early Intervention
Property and Building Maintenance
Capital Investment and Contingency
Digital and Technology
Protective Services
Planning
Support and Corporate Services

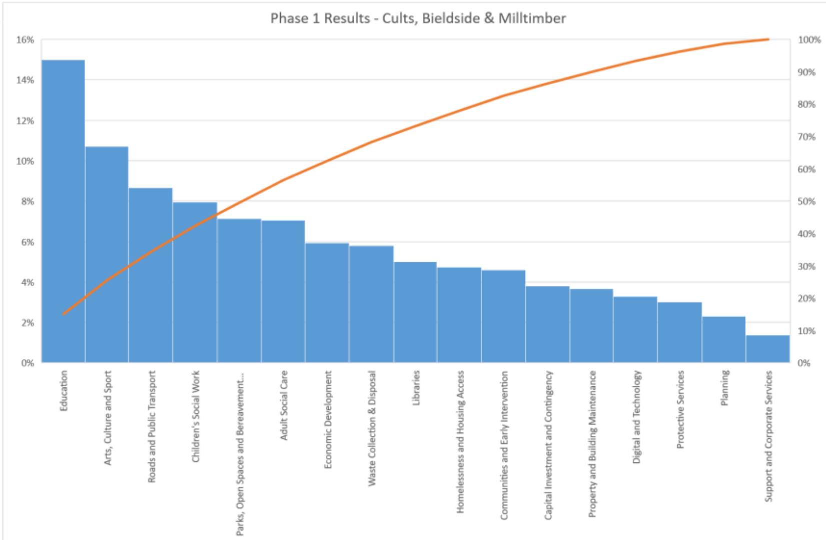

Phase 1 Results - Braeside, Mannofield, Broomhill & Seafield
Education
Arts, Culture and Sport
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Children's Social Work
Adult Social Care
Waste Collection & Disposal
Libraries
Property and Building Maintenance
Homelessness and Housing Access
Communities and Early Intervention
Economic Development
Capital Investment and Contingency
Digital and Technology
Planning
Protective Services
Support and Corporate Services

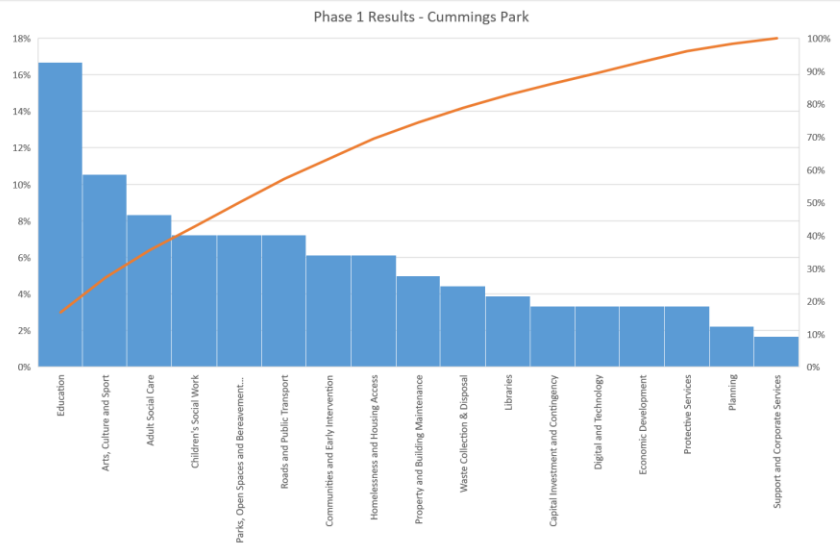

Phase 1 Results - Bucksburn
Arts, Culture and Sport
Education
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Children's Social Work
Adult Social Care
Libraries
Waste Collection & Disposal
Communities and Early Intervention
Homelessness and Housing Access
Economic Development
Property and Building Maintenance
Capital Investment and Contingency
Protective Services
Digital and Technology
Planning
Support and Corporate Services

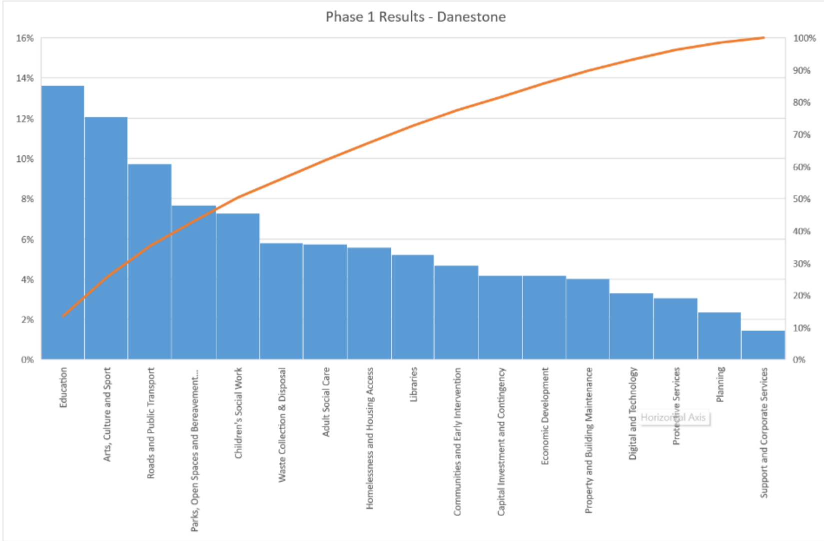

Phase 1 Results - City Centre
Arts, Culture and Sport
Education
Parks, Open Spaces and Bereavement...
Roads and Public Transport
Libraries
Children's Social Work
Waste Collection & Disposal
Adult Social Care
Economic Development
Homelessness and Housing Access
Communities and Early Intervention
Property and Building Maintenance
Capital Investment and Contingency
Digital and Technology
Planning
Protective Services
Support and Corporate Services

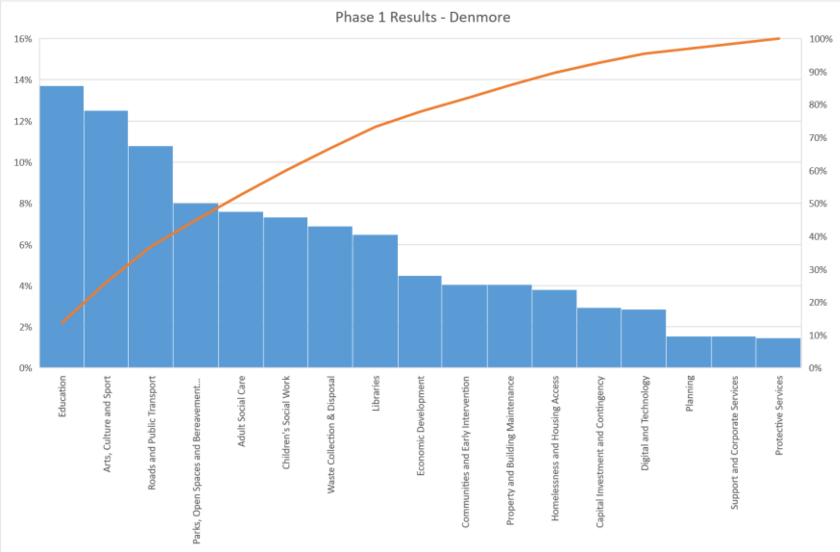

Phase 1 Results - Cove
Education
Arts, Culture and Sport
Children's Social Work
Parks, Open Spaces and Bereavement...
Roads and Public Transport
Adult Social Care
Waste Collection & Disposal
Communities and Early Intervention
Libraries
Homelessness and Housing Access
Economic Development
Capital Investment and Contingency
Property and Building Maintenance
Digital and Technology
Protective Services
Support and Corporate Services
Planning

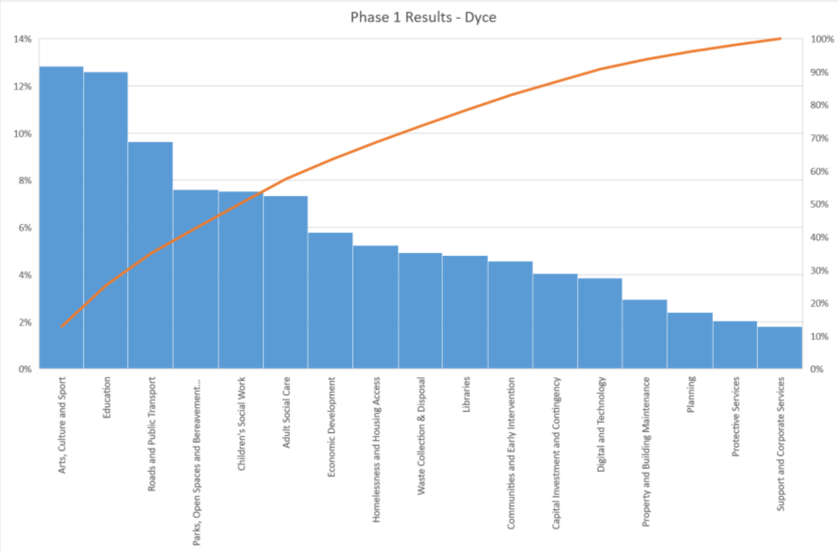

Phase 1 Results - Culter
Education
Arts, Culture and Sport
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Children's Social Work
Adult Social Care
Libraries
Homelessness and Housing Access
Waste Collection & Disposal
Communities and Early Intervention
Economic Development
Property and Building Maintenance
Digital and Technology
Capital Investment and Contingency
Support and Corporate Services
Protective Services
Planning

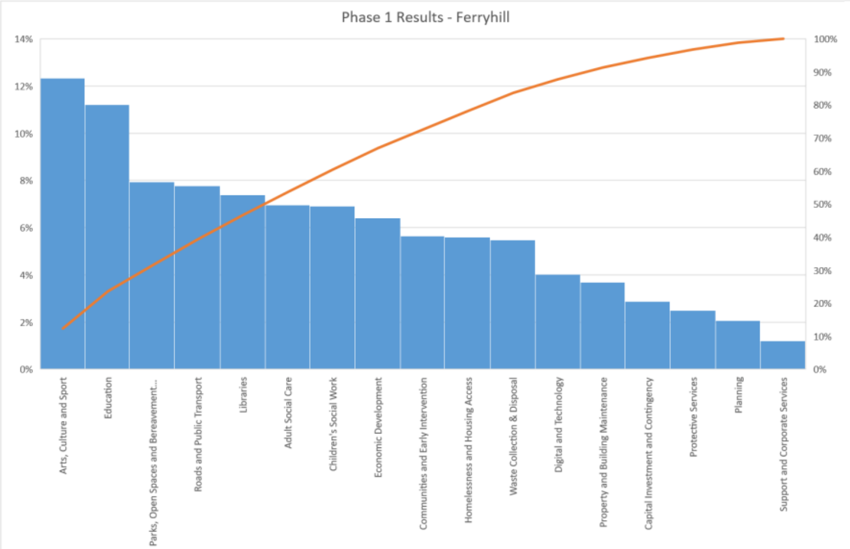

Phase 1 Results - Cults, Bieldside & Milltimber
Education
Arts, Culture and Sport
Roads and Public Transport
Children's Social Work
Parks, Open Spaces and Bereavement...
Adult Social Care
Economic Development
Waste Collection & Disposal
Libraries
Homelessness and Housing Access
Communities and Early Intervention
Capital Investment and Contingency
Property and Building Maintenance
Digital and Technology
Protective Services
Planning
Support and Corporate Services

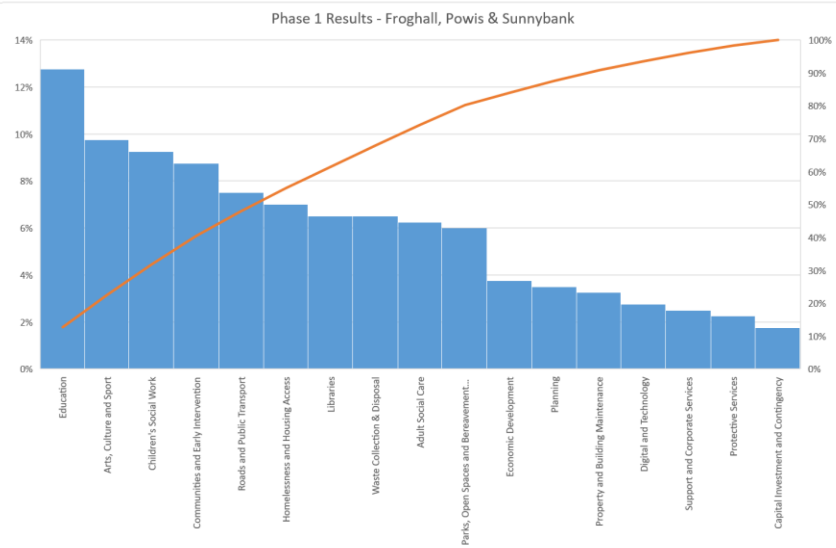

Phase 1 Results - Cummings Park
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Education
Arts, Culture and Sport
Adult Social Care
Children's Social Work
Parks, Open Spaces and Bereavement...
Roads and Public Transport
Communities and Early Intervention
Homelessness and Housing Access
Property and Building Maintenance
Waste Collection & Disposal
Libraries
Capital Investment and Contingency
Digital and Technology
Economic Development
Protective Services
Planning
Support and Corporate Services

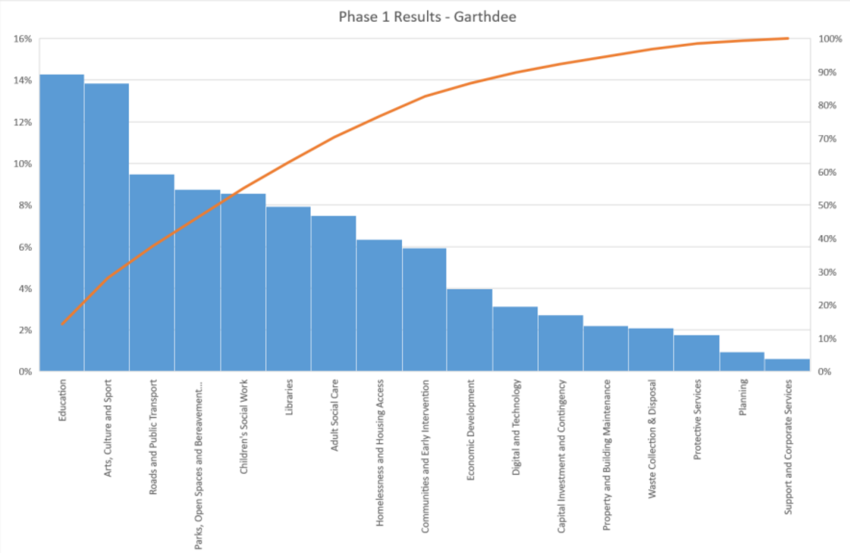

Phase 1 Results - Danestone
16%
14%
12%
10%
8%
6%
4%
2%
0%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Education
Arts, Culture and Sport
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Children's Social Work
Waste Collection & Disposal
Adult Social Care
Homelessness and Housing Access
Libraries
Communities and Early Intervention
Capital Investment and Contingency
Economic Development
Property and Building Maintenance
Digital and Technology
Protective Services
Planning
Support and Corporate Services

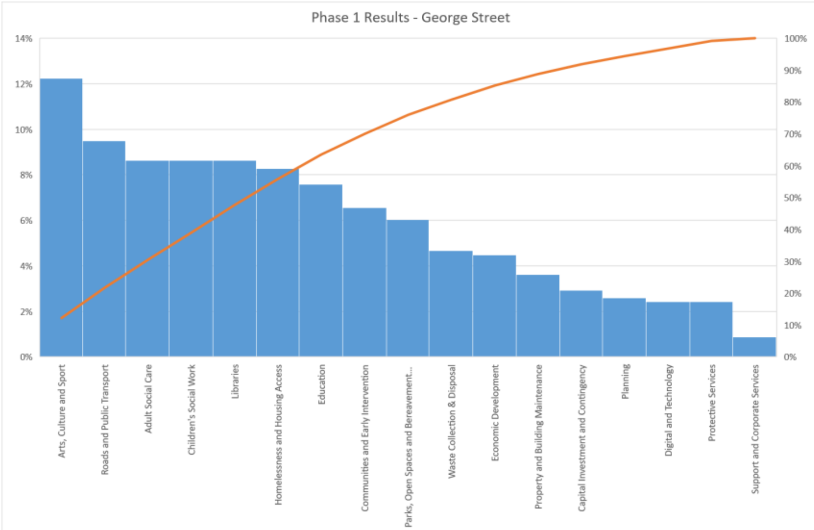

Phase 1 Results - Denmore
16%
14%
12%
10%
8%
6%
4%
2%
0%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Education
Arts, Culture and Sport
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Adult Social Care
Children's Social Work
Waste Collection & Disposal
Libraries
Economic Development
Communities and Early Intervention
Property and Building Maintenance
Homelessness and Housing Access
Capital Investment and Contingency
Digital and Technology
Planning
Support and Corporate Services
Protective Services

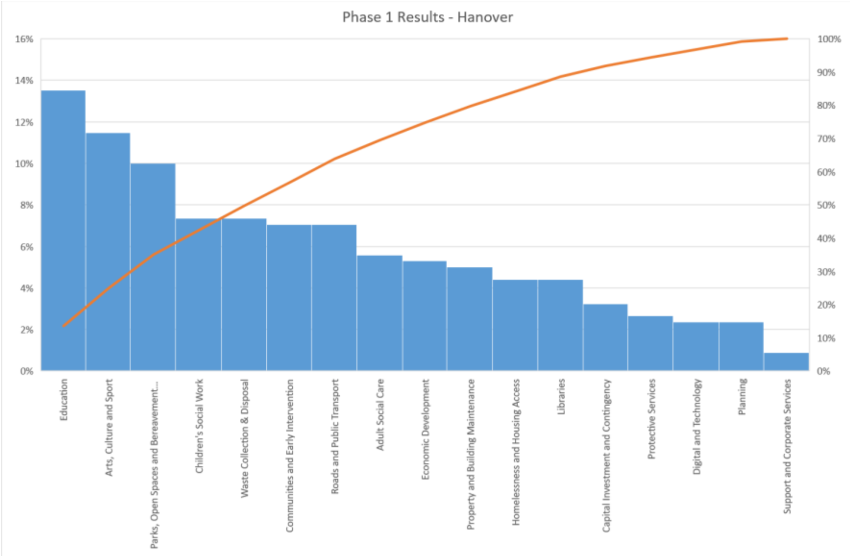

Phase 1 Results - Dyce
14%
12%
10%
8%
6%
4%
2%
0%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Arts, Culture and Sport
Education
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Children's Social Work
Adult Social Care
Economic Development
Homelessness and Housing Access
Waste Collection & Disposal
Libraries
Communities and Early Intervention
Capital Investment and Contingency
Digital and Technology
Property and Building Maintenance
Planning
Protective Services
Support and Corporate Services

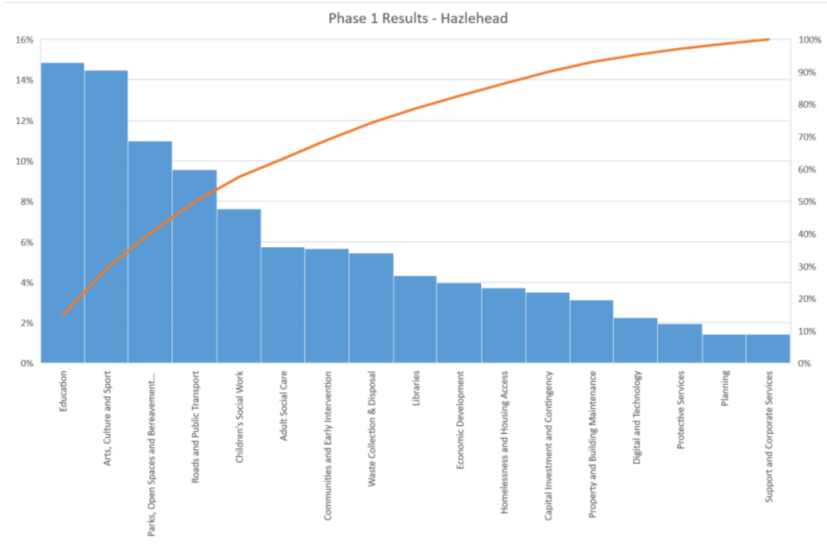

Phase 1 Results - Ferryhill
Arts, Culture and Sport
Education
Parks, Open Spaces and Bereavement...
Roads and Public Transport
Libraries
Adult Social Care
Children's Social Work
Economic Development
Communities and Early Intervention
Homelessness and Housing Access
Waste Collection & Disposal
Digital and Technology
Property and Building Maintenance
Capital Investment and Contingency
Protective Services
Planning
Support and Corporate Services

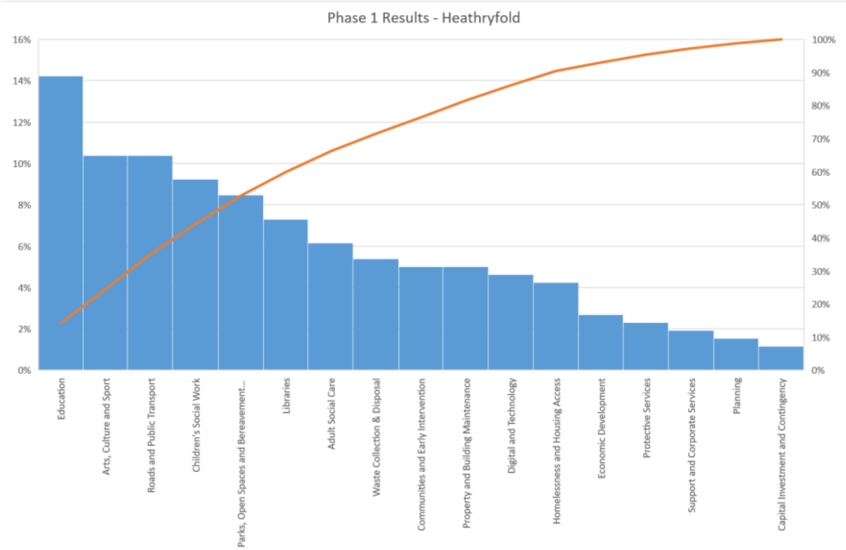

Phase 1 Results - Froghall, Powis & Sunnybank
Education
Arts, Culture and Sport
Children's Social Work
Communities and Early Intervention
Roads and Public Transport
Homelessness and Housing Access
Libraries
Waste Collection & Disposal
Adult Social Care
Parks, Open Spaces and Bereavement...
Economic Development
Planning
Property and Building Maintenance
Digital and Technology
Support and Corporate Services
Protective Services
Capital Investment and Contingency

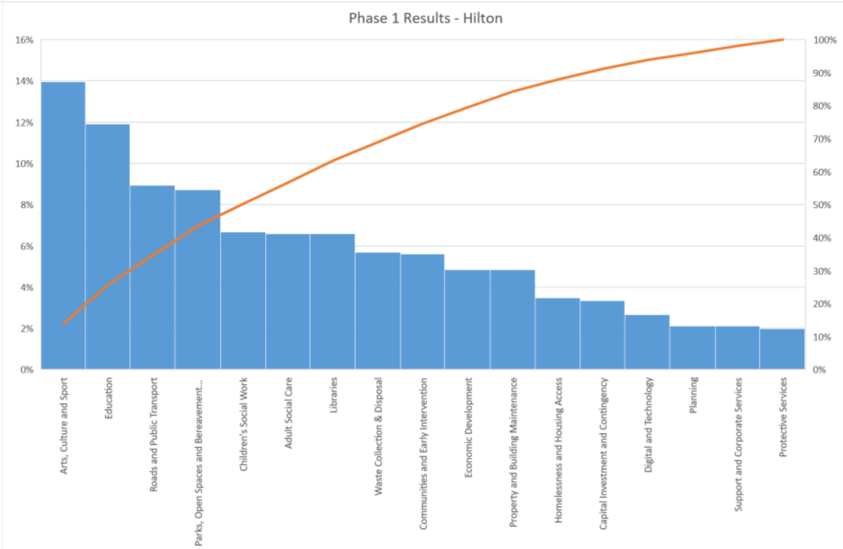

Phase 1 Results - Garthdee
Education
Arts, Culture and Sport
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Children's Social Work
Libraries
Adult Social Care
Homelessness and Housing Access
Communities and Early Intervention
Economic Development
Digital and Technology
Capital Investment and Contingency
Property and Building Maintenance
Waste Collection & Disposal
Protective Services
Planning
Support and Corporate Services

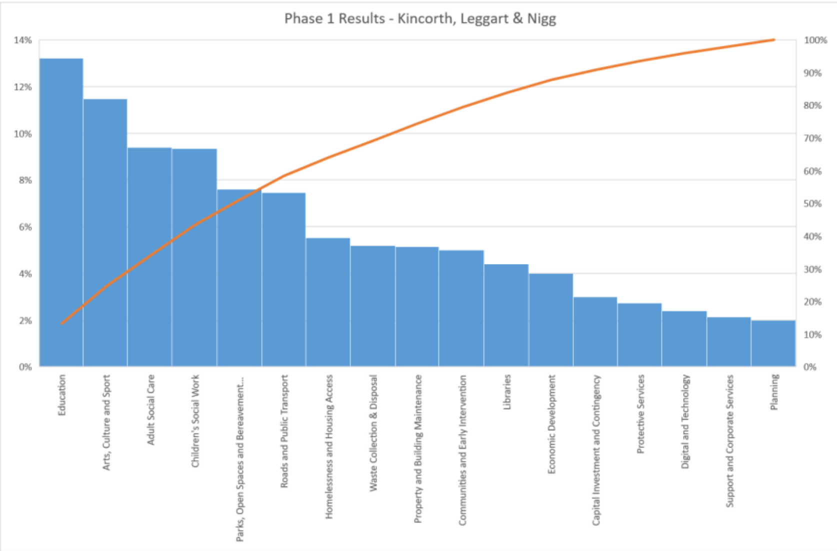

Phase 1 Results - George Street
Arts, Culture and Sport
Roads and Public Transport
Adult Social Care
Children's Social Work
Libraries
Homelessness and Housing Access
Education
Communities and Early Intervention
Parks, Open Spaces and Bereavement...
Waste Collection & Disposal
Economic Development
Property and Building Maintenance
Capital Investment and Contingency
Planning
Digital and Technology
Protective Services
Support and Corporate Services

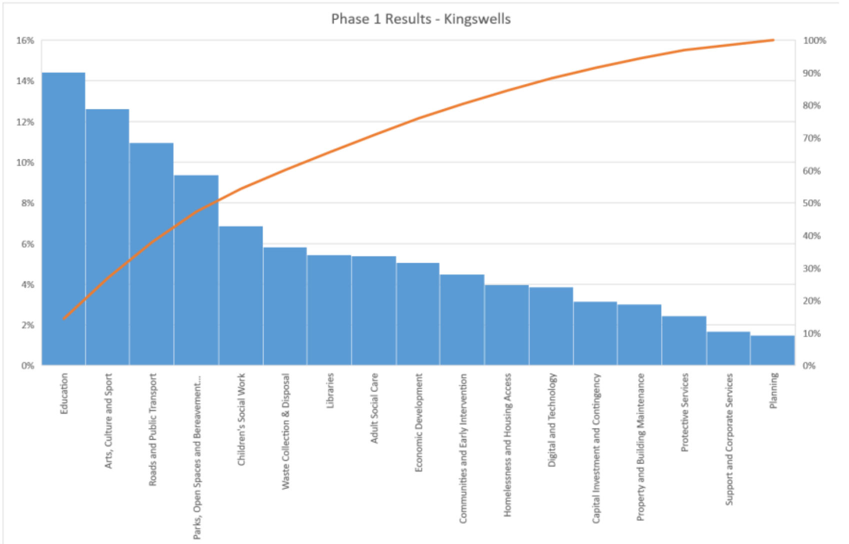

Phase 1 Results - Hanover
Education
Arts, Culture and Sport
Parks, Open Spaces and Bereavement...
Children's Social Work
Waste Collection & Disposal
Communities and Early Intervention
Roads and Public Transport
Adult Social Care
Economic Development
Property and Building Maintenance
Homelessness and Housing Access
Libraries
Capital Investment and Contingency
Protective Services
Digital and Technology
Planning
Support and Corporate Services

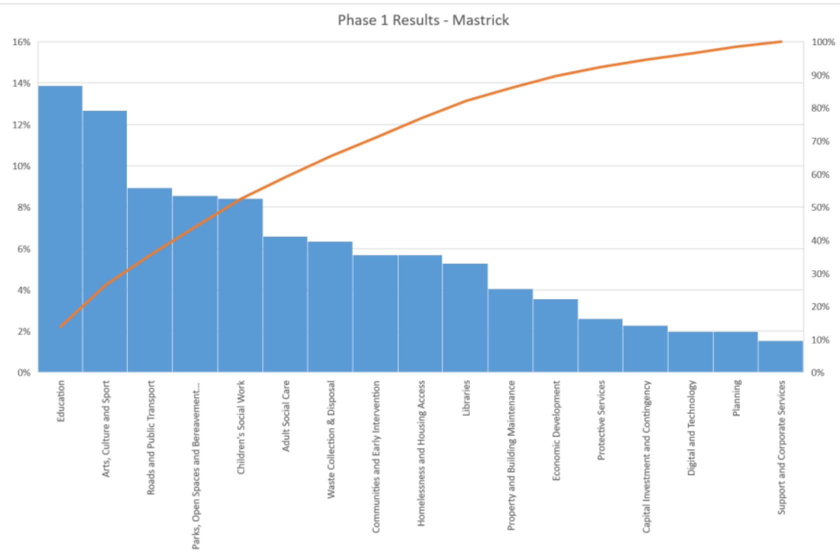

Phase 1 Results - Hazlehead
Education
Arts, Culture and Sport
Parks, Open Spaces and Bereavement...
Roads and Public Transport
Children's Social Work
Adult Social Care
Communities and Early Intervention
Waste Collection & Disposal
Libraries
Economic Development
Homelessness and Housing Access
Capital Investment and Contingency
Property and Building Maintenance
Digital and Technology
Protective Services
Planning
Support and Corporate Services

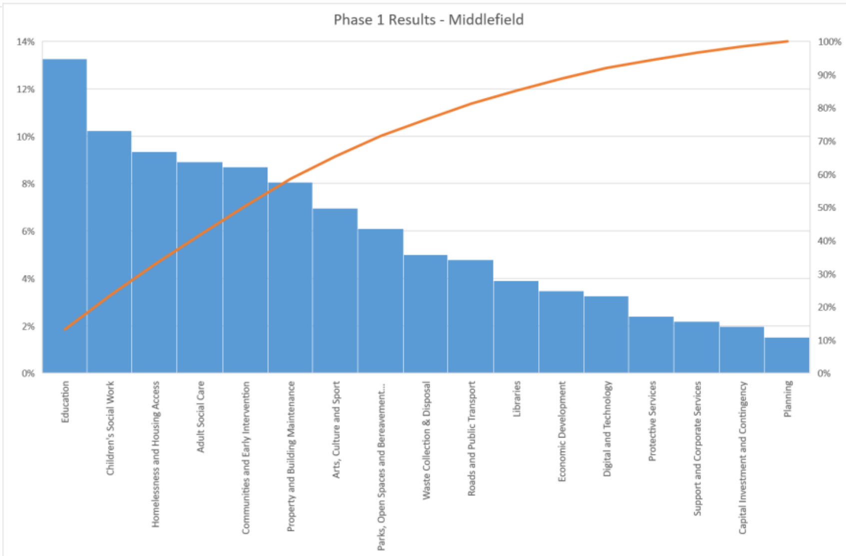

Phase 1 Results - Heathryfold
Education
Arts, Culture and Sport
Roads and Public Transport
Children's Social Work
Parks, Open Spaces and Bereavement...
Libraries
Adult Social Care
Waste Collection & Disposal
Communities and Early Intervention
Property and Building Maintenance
Digital and Technology
Homelessness and Housing Access
Economic Development
Protective Services
Support and Corporate Services
Planning
Capital Investment and Contingency

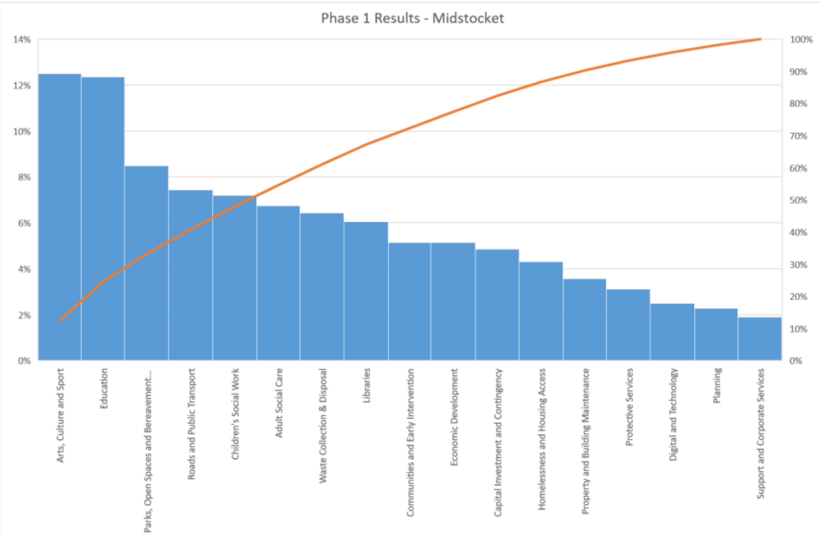

Phase 1 Results - Hilton
Arts, Culture and Sport
Education
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Children's Social Work
Adult Social Care
Libraries
Waste Collection & Disposal
Communities and Early Intervention
Economic Development
Property and Building Maintenance
Homelessness and Housing Access
Capital Investment and Contingency
Digital and Technology
Planning
Support and Corporate Services
Protective Services

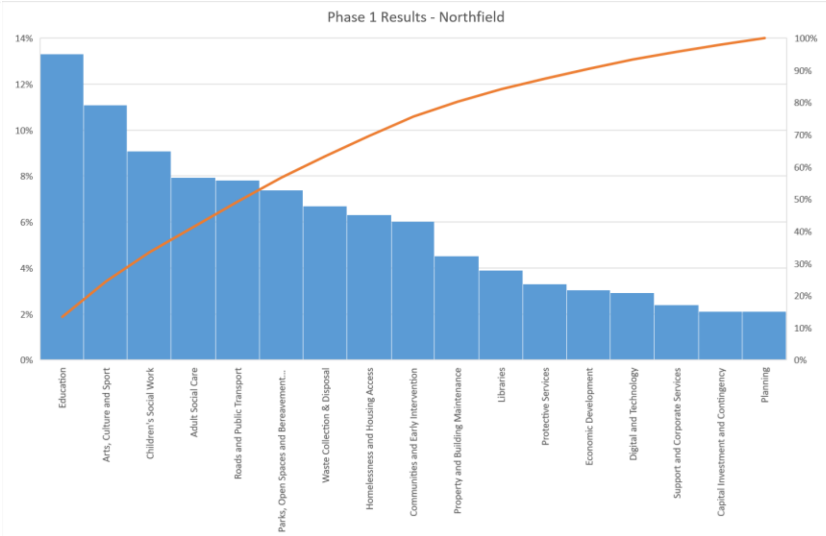

Phase 1 Results - Kincorth, Leggart & Nigg
Education
Arts, Culture and Sport
Adult Social Care
Children's Social Work
Parks, Open Spaces and Bereavement...
Roads and Public Transport
Homelessness and Housing Access
Waste Collection & Disposal
Property and Building Maintenance
Communities and Early Intervention
Libraries
Economic Development
Capital Investment and Contingency
Protective Services
Digital and Technology
Support and Corporate Services
Planning

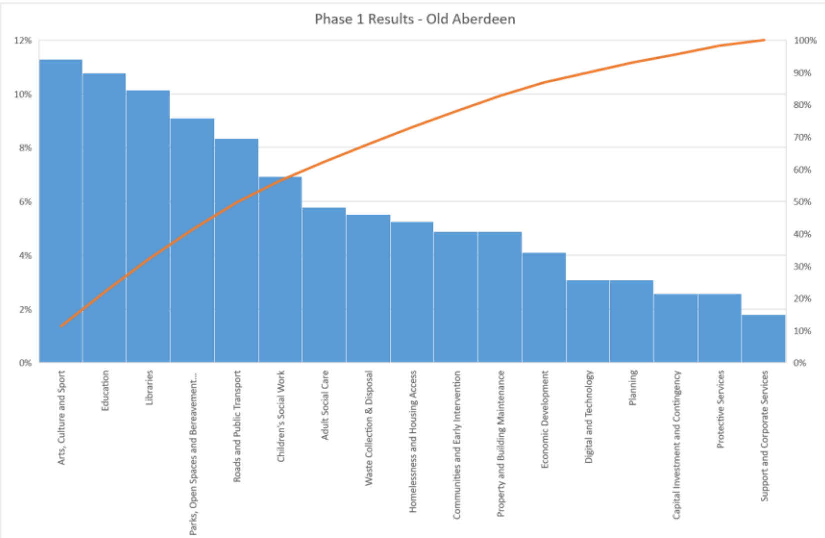

Phase 1 Results - Kingswells
Education
Arts, Culture and Sport
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Children's Social Work
Waste Collection & Disposal
Libraries
Adult Social Care
Economic Development
Communities and Early Intervention
Homelessness and Housing Access
Digital and Technology
Capital Investment and Contingency
Property and Building Maintenance
Protective Services
Support and Corporate Services
Planning

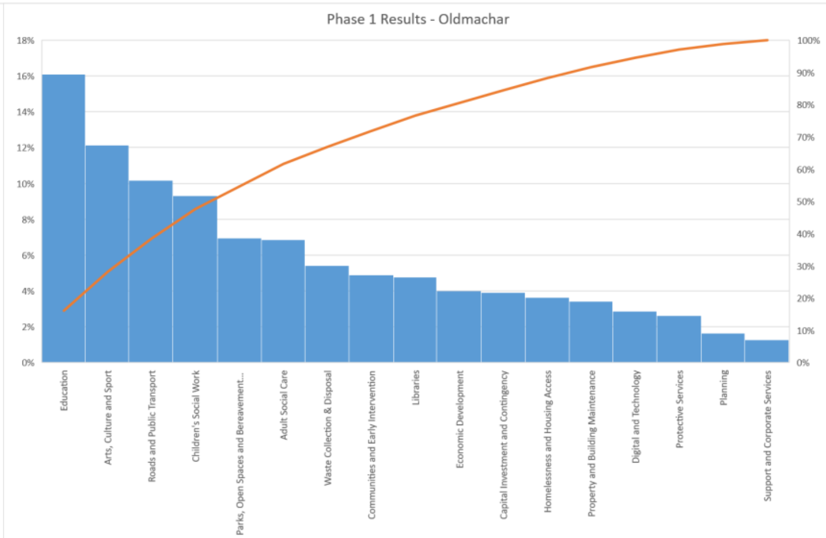

Phase 1 Results - Mastrick
Education
Arts, Culture and Sport
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Children's Social Work
Adult Social Care
Waste Collection & Disposal
Communities and Early Intervention
Homelessness and Housing Access
Libraries
Property and Building Maintenance
Economic Development
Protective Services
Capital Investment and Contingency
Digital and Technology
Planning
Support and Corporate Services

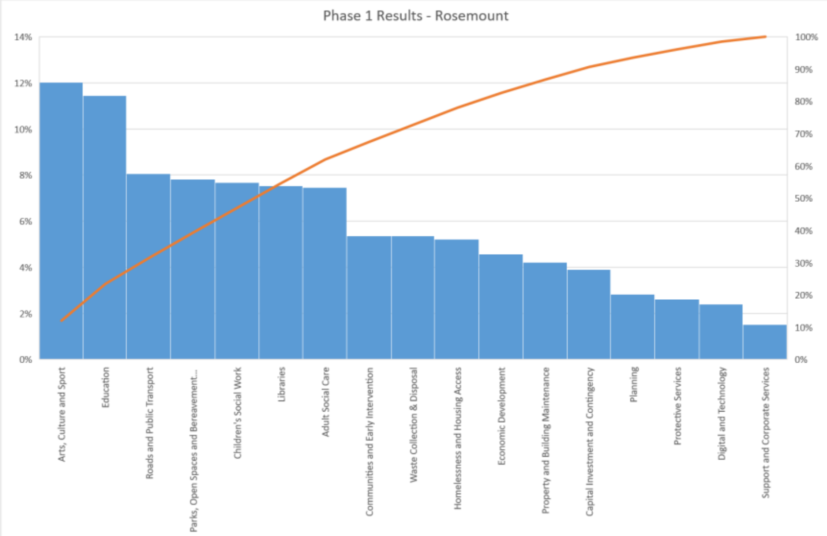

Phase 1 Results - Middlefield
Education
Children's Social Work
Homelessness and Housing Access
Adult Social Care
Communities and Early Intervention
Property and Building Maintenance
Arts, Culture and Sport
Parks, Open Spaces and Bereavement...
Waste Collection & Disposal
Roads and Public Transport
Libraries
Economic Development
Digital and Technology
Protective Services
Support and Corporate Services
Capital Investment and Contingency
Planning

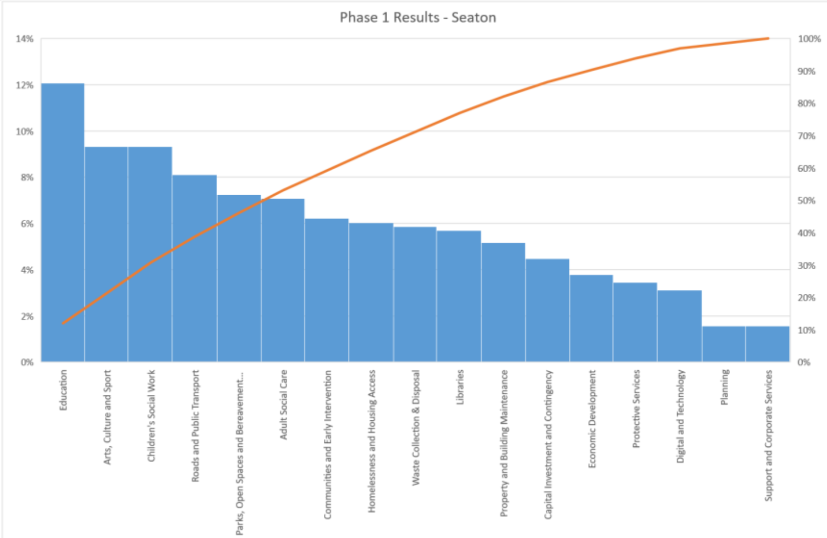

Phase 1 Results - Midstocket
14%
12%
10%
8%
6%
4%
2%
0%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Arts, Culture and Sport
Education
Parks, Open Spaces and Bereavement...
Roads and Public Transport
Children's Social Work
Adult Social Care
Waste Collection & Disposal
Libraries
Communities and Early Intervention
Economic Development
Capital Investment and Contingency
Homelessness and Housing Access
Property and Building Maintenance
Protective Services
Digital and Technology
Planning
Support and Corporate Services

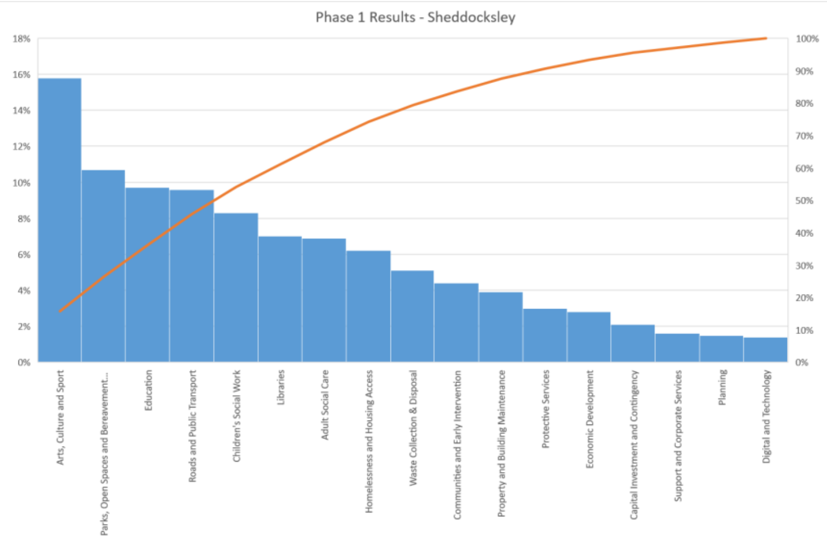

Phase 1 Results - Northfield
14%
12%
10%
8%
6%
4%
2%
0%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Education
Arts, Culture and Sport
Children's Social Work
Adult Social Care
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Waste Collection & Disposal
Homelessness and Housing Access
Communities and Early Intervention
Property and Building Maintenance
Libraries
Protective Services
Economic Development
Digital and Technology
Support and Corporate Services
Capital Investment and Contingency
Planning

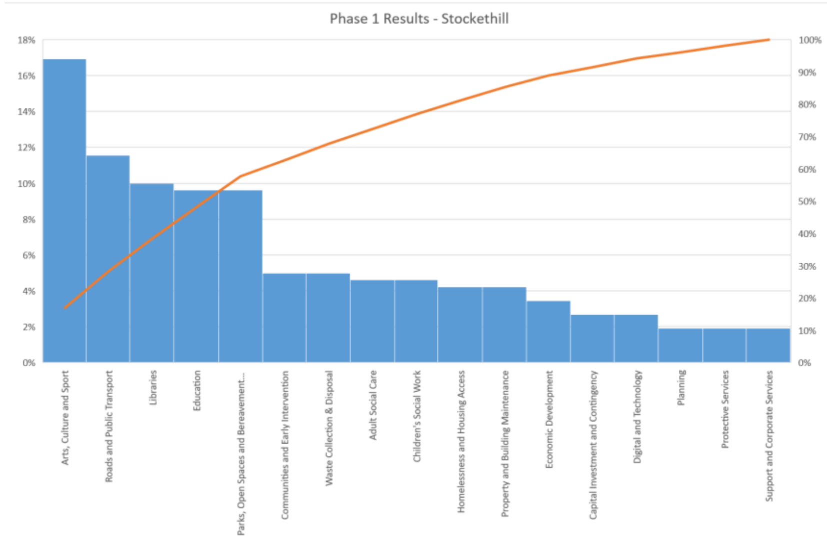

Phase 1 Results - Old Aberdeen
12%
10%
8%
6%
4%
2%
0%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Arts, Culture and Sport
Education
Libraries
Parks, Open Spaces and Bereavement...
Roads and Public Transport
Children's Social Work
Adult Social Care
Waste Collection & Disposal
Homelessness and Housing Access
Communities and Early Intervention
Property and Building Maintenance
Economic Development
Digital and Technology
Planning
Capital Investment and Contingency
Protective Services
Support and Corporate Services

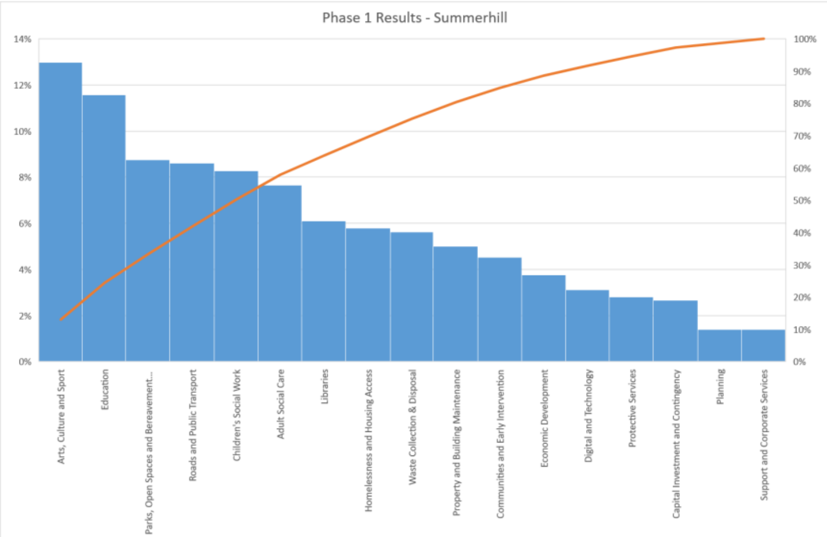

Phase 1 Results - Oldmachar
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Education
Arts, Culture and Sport
Roads and Public Transport
Children's Social Work
Parks, Open Spaces and Bereavement...
Adult Social Care
Waste Collection & Disposal
Communities and Early Intervention
Libraries
Economic Development
Capital Investment and Contingency
Homelessness and Housing Access
Property and Building Maintenance
Digital and Technology
Protective Services
Planning
Support and Corporate Services

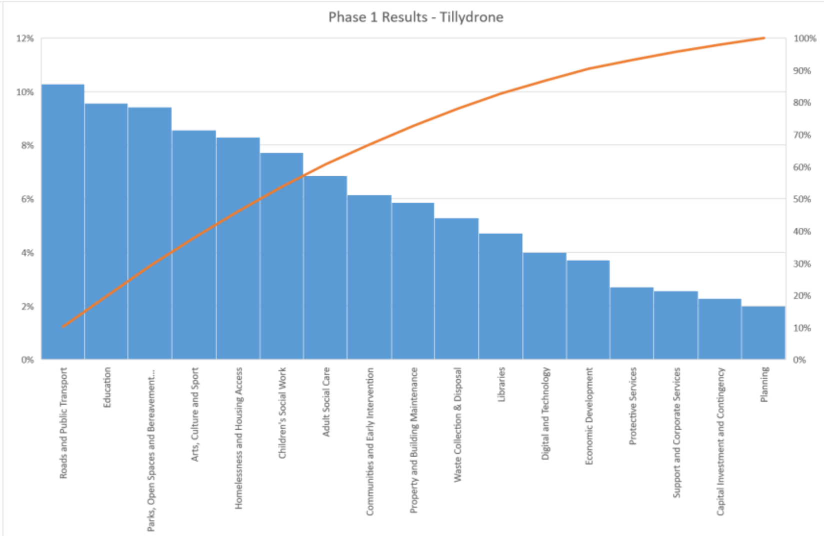

Phase 1 Results - Rosemount
Arts, Culture and Sport
Education
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Children's Social Work
Libraries
Adult Social Care
Communities and Early Intervention
Waste Collection & Disposal
Homelessness and Housing Access
Economic Development
Property and Building Maintenance
Capital Investment and Contingency
Planning
Protective Services
Digital and Technology
Support and Corporate Services

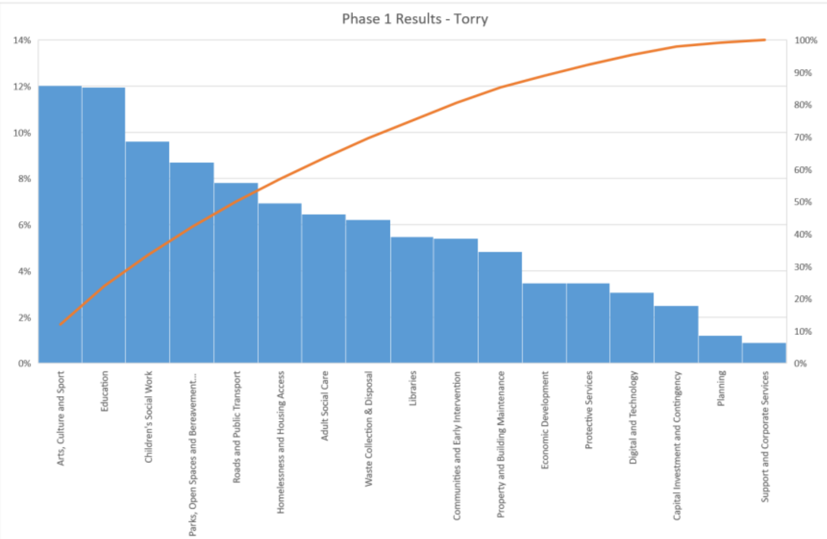

Phase 1 Results - Seaton
Education
Arts, Culture and Sport
Children's Social Work
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Adult Social Care
Communities and Early Intervention
Homelessness and Housing Access
Waste Collection & Disposal
Libraries
Property and Building Maintenance
Capital Investment and Contingency
Economic Development
Protective Services
Digital and Technology
Planning
Support and Corporate Services

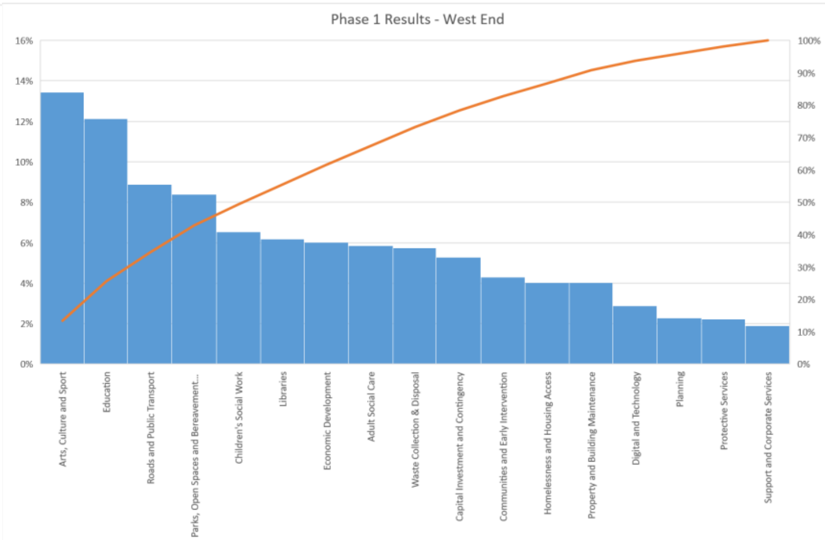

Phase 1 Results - Sheddocksley
Arts, Culture and Sport
Parks, Open Spaces and Bereavement...
Education
Roads and Public Transport
Children's Social Work
Libraries
Adult Social Care
Homelessness and Housing Access
Waste Collection & Disposal
Communities and Early Intervention
Property and Building Maintenance
Protective Services
Economic Development
Capital Investment and Contingency
Support and Corporate Services
Planning
Digital and Technology

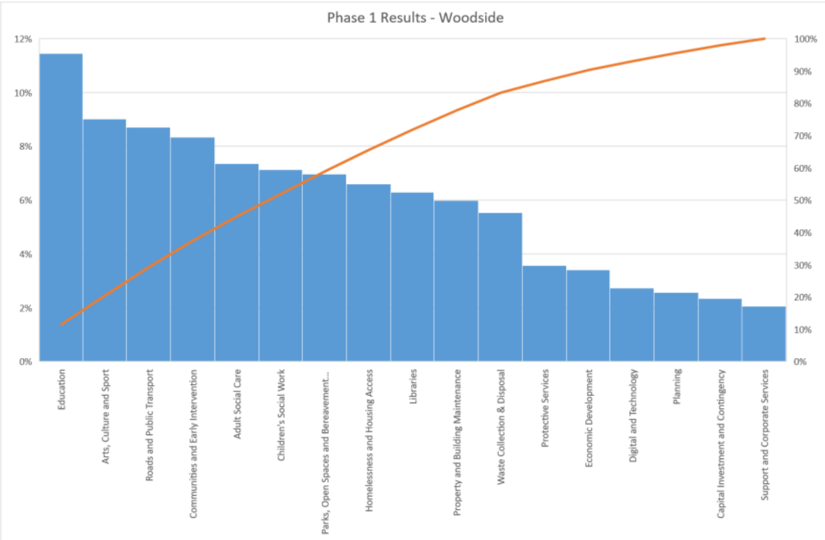

Phase 1 Results - Stockethill
Arts, Culture and Sport
Roads and Public Transport
Libraries
Education
Parks, Open Spaces and Bereavement...
Communities and Early Intervention
Waste Collection & Disposal
Adult Social Care
Children's Social Work
Homelessness and Housing Access
Property and Building Maintenance
Economic Development
Capital Investment and Contingency
Digital and Technology
Planning
Protective Services
Support and Corporate Services

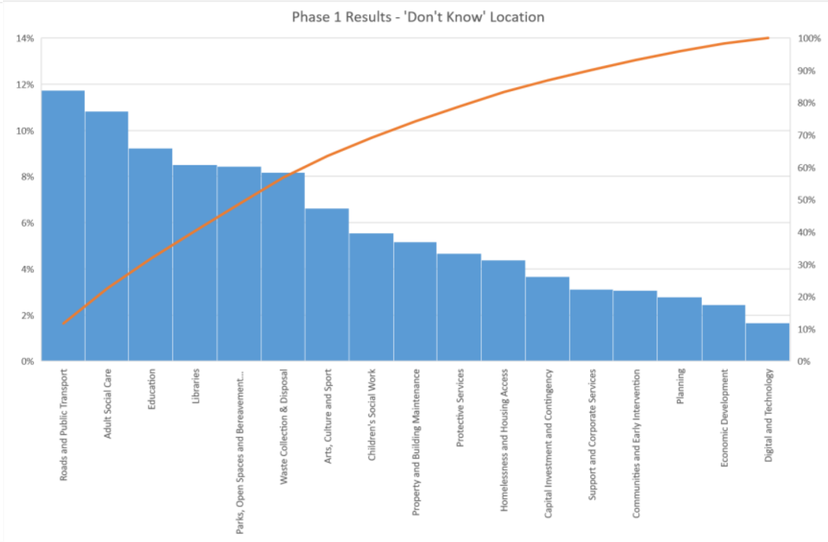

Phase 1 Results - Summerhill
14%
12%
10%
8%
6%
4%
2%
0%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Arts, Culture and Sport
Education
Parks, Open Spaces and Bereavement...
Roads and Public Transport
Children's Social Work
Adult Social Care
Libraries
Homelessness and Housing Access
Waste Collection & Disposal
Property and Building Maintenance
Communities and Early Intervention
Economic Development
Digital and Technology
Protective Services
Capital Investment and Contingency
Planning
Support and Corporate Services

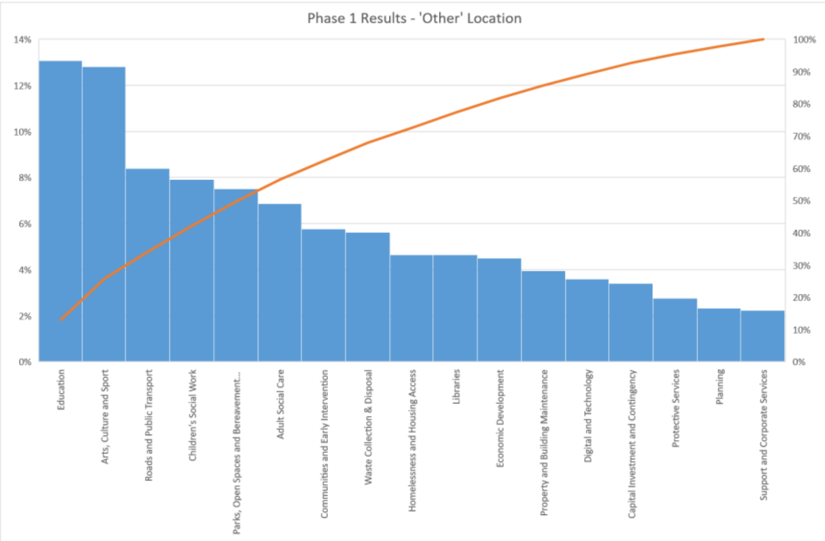

Phase 1 Results - Tillydrone
12%
10%
8%
6%
4%
2%
0%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Roads and Public Transport
Education
Parks, Open Spaces and Bereavement...
Arts, Culture and Sport
Homelessness and Housing Access
Children's Social Work
Adult Social Care
Communities and Early Intervention
Property and Building Maintenance
Waste Collection & Disposal
Libraries
Digital and Technology
Economic Development
Protective Services
Support and Corporate Services
Capital Investment and Contingency
Planning

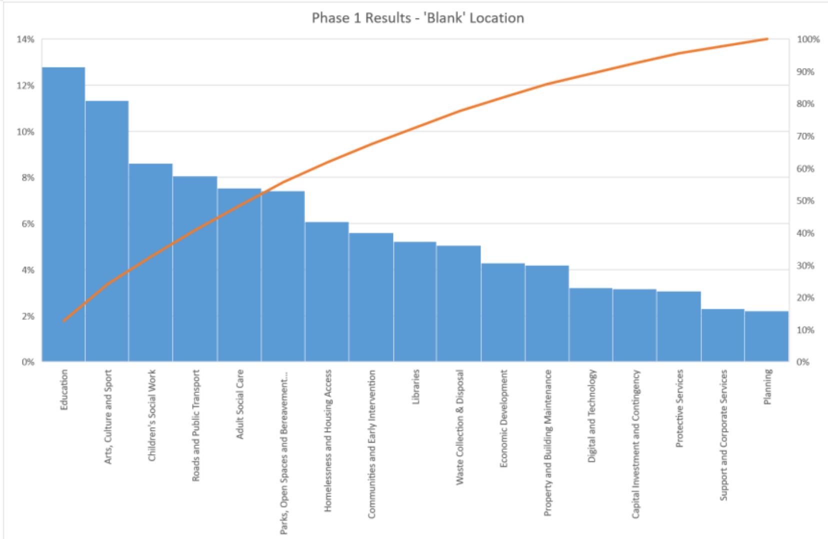

Phase 1 Results - Torry
14%
12%
10%
8%
6%
4%
2%
0%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Arts, Culture and Sport
Education
Children's Social Work
Parks, Open Spaces and Bereavement...
Roads and Public Transport
Homelessness and Housing Access
Adult Social Care
Waste Collection & Disposal
Libraries
Communities and Early Intervention
Property and Building Maintenance
Economic Development
Protective Services
Digital and Technology
Capital Investment and Contingency
Planning
Support and Corporate Services


Phase 1 Results - West End
16%
14%
12%
10%
8%
6%
4%
2%
0%
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Arts, Culture and Sport
Education
Roads and Public Transport
Parks, Open Spaces and Bereavement...
Children's Social Work
Libraries
Economic Development
Adult Social Care
Waste Collection & Disposal
Capital Investment and Contingency
Communities and Early Intervention
Homelessness and Housing Access
Property and Building Maintenance
Digital and Technology
Planning
Protective Services
Support and Corporate Services

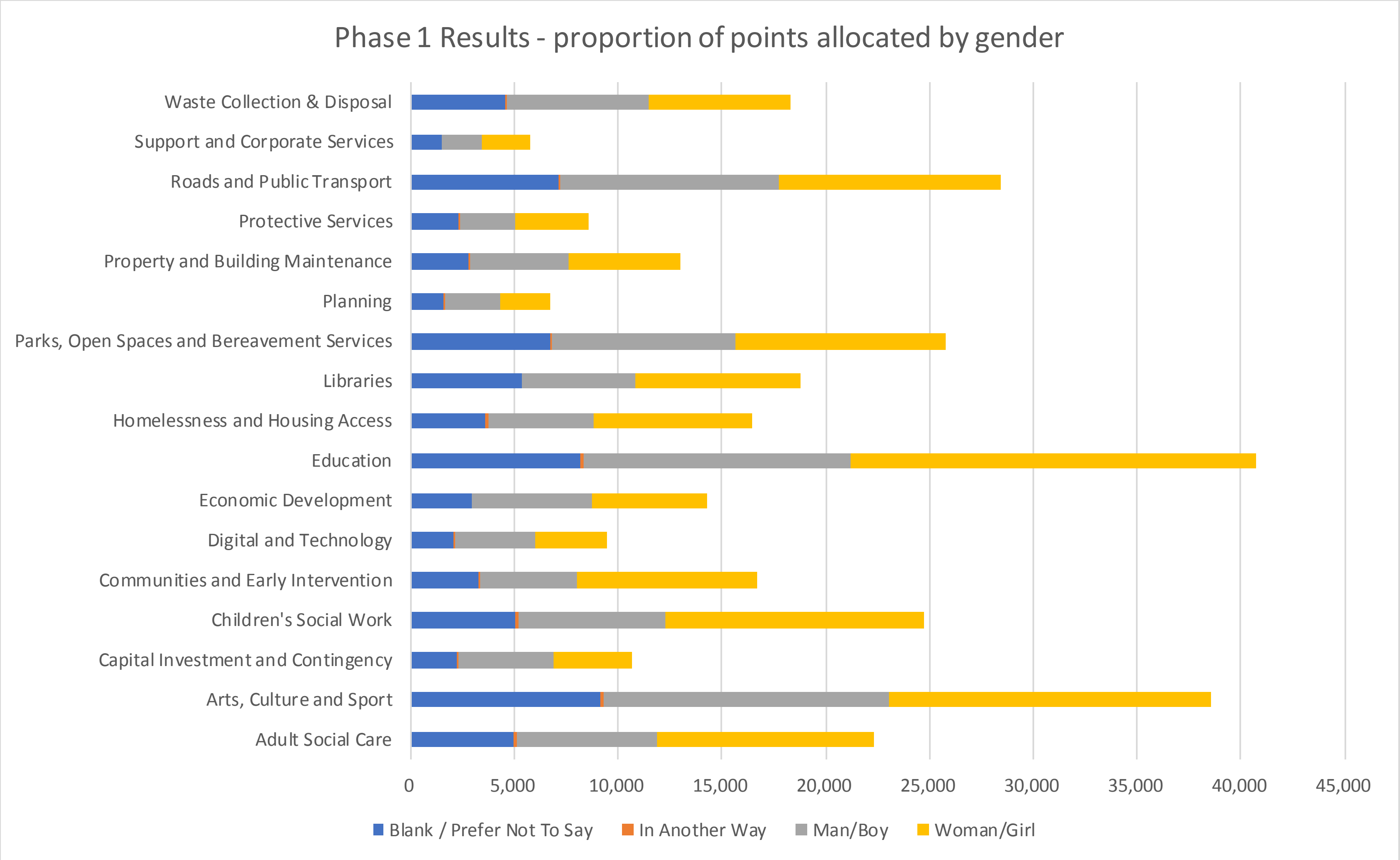

Phase 1 Results - Woodside
Education
Arts, Culture and Sport
Roads and Public Transport
Communities and Early Intervention
Adult Social Care
Children's Social Work
Parks, Open Spaces and Bereavement...
Homelessness and Housing Access
Libraries
Property and Building Maintenance
Waste Collection & Disposal
Protective Services
Economic Development
Digital and Technology
Planning
Capital Investment and Contingency
Support and Corporate Services

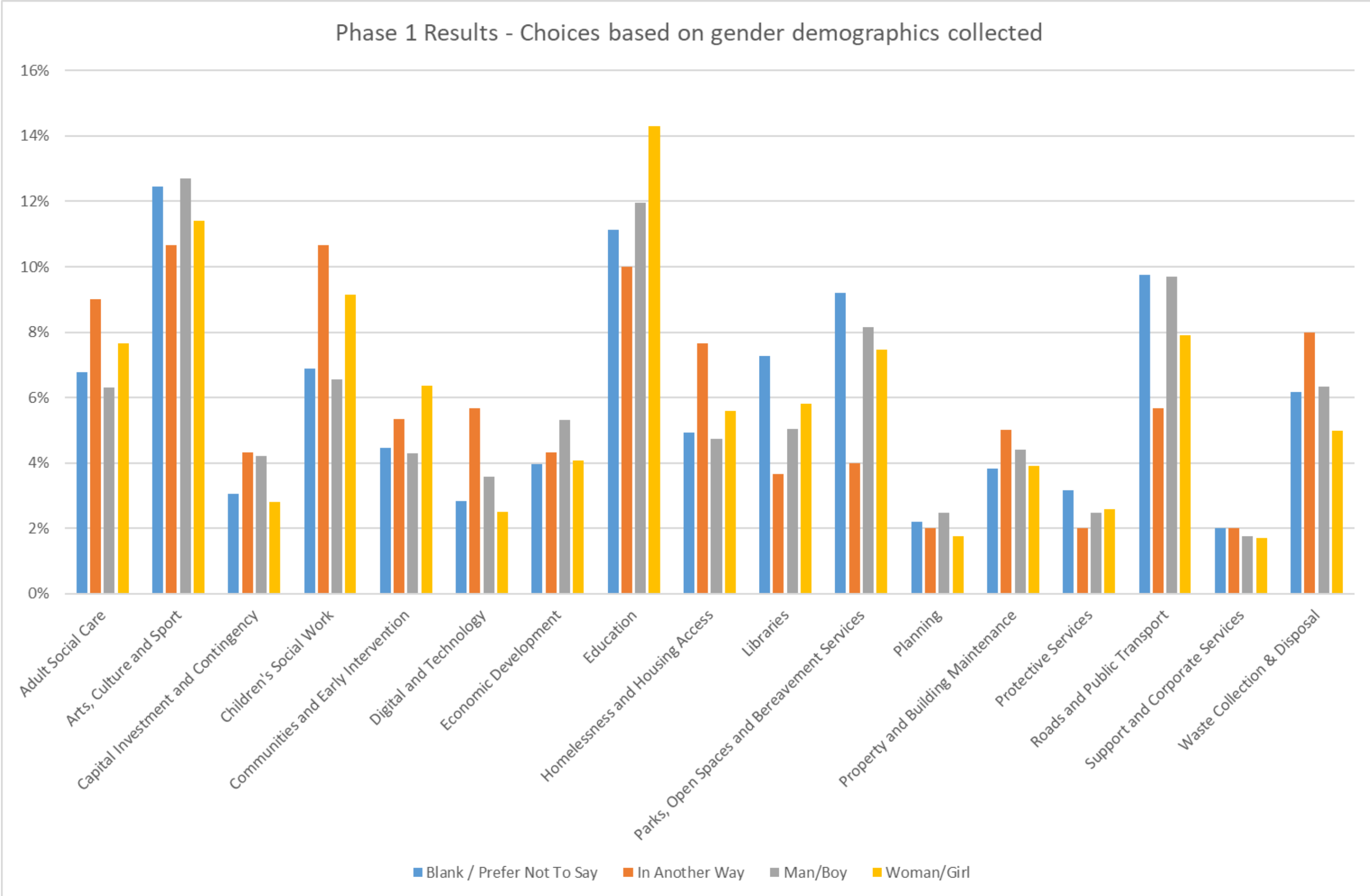

Phase 1 Results - 'Don't Know' Location
Roads and Public Transport
Adult Social Care
Education
Libraries
Parks, Open Spaces and Bereavement...
Waste Collection & Disposal
Arts, Culture and Sport
Children's Social Work
Property and Building Maintenance
Protective Services
Homelessness and Housing Access
Capital Investment and Contingency
Support and Corporate Services
Communities and Early Intervention
Planning
Economic Development
Digital and Technology


Phase 1 Results - 'Other' Location
Education
Arts, Culture and Sport
Roads and Public Transport
Children's Social Work
Parks, Open Spaces and Bereavement...
Adult Social Care
Communities and Early Intervention
Waste Collection & Disposal
Homelessness and Housing Access
Libraries
Economic Development
Property and Building Maintenance
Digital and Technology
Capital Investment and Contingency
Protective Services
Planning
Support and Corporate Services


Phase 1 Results - 'Blank' Location
Education
Arts, Culture and Sport
Children's Social Work
Roads and Public Transport
Adult Social Care
Parks, Open Spaces and Bereavement...
Homelessness and Housing Access
Communities and Early Intervention
Libraries
Waste Collection & Disposal
Economic Development
Property and Building Maintenance
Digital and Technology
Capital Investment and Contingency
Protective Services
Support and Corporate Services
Planning

Graphs 46 - 47 : Gender Statistics





Gender Data	Adult Social Care	Arts, Culture and Spo	Capital Investment and Contingen	Children's Social Work	Communities and Early Interventio	Digital and Technolo	Economic Developmen	Educatio	Homelessness and Housing Access	Libraries	Parks, Open Spaces and Bereavement Services	Planning	Property and Building Maintenanc	Protective Services	Roads and Public Transpo	Support and Corporate Services	Waste Collection & Disposal
Blank / Prefer Not To Say	7%	12%	3%	7%	4%	3%	4%	11%	5%	7%	9%	2%	4%	3%	10%	2%	6%
In Another Way	9%	11%	4%	11%	5%	6%	4%	10%	8%	4%	4%	2%	5%	2%	6%	2%	8%
Man/Boy	6%	13%	4%	7%	4%	4%	5%	12%	5%	5%	8%	2%	4%	2%	10%	2%	6%
Woman/Girl	8%	11%	3%	9%	6%	3%	4%	14%	6%	6%	7%	2%	4%	3%	8%	2%	5%