

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	17 th April 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Budget Protocol – Lessons Learned
REPORT NUMBER	CORS/24/112
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TERMS OF REFERENCE	12

1. PURPOSE OF REPORT

- 1.1 To report back on the application of the Budget Protocol which included public engagement on officer budget saving options within the 2024/25 budget and to identify any lessons learned or proposed revisions for applying the protocol to the 2025/26 budget.
- 1.2 The report also responds to instructions from the Council budget meeting in respect of engagement and consultation.

2. RECOMMENDATIONS

That Council:-

- 2.1 note the feedback collated from officers and elected members on the Budget Protocol in its first year of operation, summarised at appendix A;
- 2.2 instruct officers to develop budget options and Integrated Impact Assessments during Quarter 1 as the basis for 1) elected member engagement; 2) Phase 1 engagement with the public both online and face to face; and 3) a second phase of engagement during quarter 3 after the Medium Term Financial Plan is reported to Council; and
- 2.3 note that the Protocol forms part of the Scheme of Governance and as such will be reviewed by the cross-party Governance Reference Group in April and May and submitted to Council in July for approval of any proposed revisions, including giving effect to the improvements outlined at 2.2.

3. CURRENT SITUATION

- 3.1 Council approved a new Budget Protocol in June 2023 as part of the revised Scheme of Governance. The purpose of the new Protocol was threefold:

- to enhance Council's compliance with the Public Sector Equality Duty by aligning Integrated Impact Assessments to budget setting;
 - to formalise the process by which annual budgets are prepared by elected members; and
 - to firmly embed stakeholder engagement within the preparation of budget options.
- 3.2 The Audit, Risk and Scrutiny Committee will consider a report on enhancements to the Council's compliance with the Public Sector Equality Duty at its meeting on 9th May, deferred from the February meeting. This sets out the importance of Integrated Impact Assessments (IIAs) as a control mechanism and tracks an improvement journey for both officers and members in using IIAs to give due regard to the requirements of the Equality Act 2010. A key objective of the Budget Protocol was to thread these duties throughout the process for setting budgets.
- 3.3 The Protocol as currently written binds us to required engagement activities over a full financial year in the lead up to budget setting:
1. Update the Medium Term Financial Strategy (August)
 2. Phase 1 public engagement (July)
 3. Report Phase 1 results to Members (August)
 4. Officers develop budget options (corporate playbook) and accompanying IIAs (June – August)
 5. Elected Member workshops to support them to build budgets, including access to budget options and IIAs (September/October)
 6. Phase 2 public engagement using budget options and IIAs (October/November)
 7. Report Phase 2 results to Members (December)
 8. Elected Member workshops to support them to build budgets, including access to budget options and updated IIAs (January/February)
 9. Members submit budgets three working days prior to the budget meeting (March)
- 3.4 Feedback on each activity has been collected from both elected members and officers and is summarised in the paragraphs below. Overall, the Protocol has significantly improved our engagement with the public, allowed us to build a narrative on the challenging financial position and made it clear that difficult choices will continue to be needed. It has also ensured that elected members were clear on the range of options being considered by officers much earlier in the cycle, enhanced compliance with the Public Sector Equality Duty and facilitated a culture change in the organisation as the importance of Integrated Impact Assessments for budget decisions has crystallised.
- 3.5 Notwithstanding this, further consideration is needed on future use of the digital tool used for public engagement and we recognise the potential benefits of beginning face to face stakeholder engagement earlier in the year and briefing all members on the budget options which are emerging from officers.

- 3.6 Based on the learnings from the 2023/24 process, the following timeline is proposed for 2024/25:

Quarter	Activity
1 (April - June)	<ul style="list-style-type: none"> • ECMT develop budget options, service standards and IIAs • Discussion with ALEOs and partners
2 (July – Sept)	<ul style="list-style-type: none"> • Phase 1 public engagement (face to face and online) • Elected Member engagement with all groups from this point forward • Feedback on public engagement within updated Medium Term Financial Strategy
3 (Oct – Dec)	<ul style="list-style-type: none"> • Phase 2 public engagement • Feedback on public engagement to Council
4 (Jan – March)	<ul style="list-style-type: none"> • Preparation of budget packs • Submission of budgets by elected members

- 3.7 This will enable early dialogue to begin with the public, all elected members and our partners whilst further revisions to the Protocol are discussed by the Governance Reference Group. This cross-party Group will meet in April and May to consider revisions to our governance documentation, including the Protocol.

3.8 Stage 1 - Medium Term Financial Strategy

The Medium Term Financial Strategy was updated and reported to Council in August, forecasting the Council's financial position (worst case, best case and central scenarios).

What worked well?

- There was a shared clarity on the worst, best and central financial scenarios early in the financial year which was helpful for elected members and the public and increased ability to plan ahead.

What worked less well:

- This was reported to Council in August and included the results of Public Engagement Phase 1 which had been fed into the report in very short timescales. A longer lead in time from the first phase of public engagement will allow more meaningful analysis of the feedback to be referenced within the context of the financial position. It is proposed this begin at the end of June.
- Members would appreciate a briefing on the MTFS prior to the Council meeting.

3.9 Stage 2 - Public Engagement Phase 1

We asked the public to tell us which service areas were most important to them. We did this using an online tool and this was published in July.

What worked well:

- The public were clear from an early stage that the financial position was challenging and that difficult decisions would be needed. This created an open dialogue with our service users which was welcomed and appreciated by the majority of those responding.
- It was also clear from an early stage that citizens had definite priorities and services which they did not want to see removed or reduced. That helped to set the boundaries in the development of budget options.

What worked less well:

- Engagement concentrated only on services funded by the General Fund.
- Lack of specific reference to capital projects and their impact on revenue funding.
- Response rates were lower than hoped.
- There was a lack of time to fully prepare the digital platform given the Budget Protocol had been approved in June.
- Partner engagement in the development of budget options could have been stronger.

3.10 Stage 3 – Reporting Phase 1 results to Members

We collated the feedback from the public and reported it to elected members in August as part of Medium Term Financial Strategy.

What worked well:

- The updated financial position was aligned with the public priorities and this allowed elected members to begin preparation on budgets as early as August.

What worked less well:

- It remains a challenge for elected members to prepare budgets based on best, worst and central case scenarios without the financial settlement being clear. Given that there is little or no prospect of the settlement being shared any earlier, there needs to be a realistic approach taken with budget options for members to manage the worse case scenario.

3.11 Stage 4 – Development of Budget Options and Integrated Impact Assessments by Officers

Officers developed a “corporate playbook” of costed budget options aimed at closing the budget gap and began preparation of Integrated Impact Assessments (IIAs). These were working drafts throughout the year, were shared with elected members as such, and were updated and finalised prior to the budget meeting.

What worked well:

- The options prepared by officers built on those reviewed in previous years and as a result were clearer, more accurate in terms of financial opportunities and risks.
- IIAs were drafted earlier in the process and as a result they were more closely aligned to budget options.

- Over 100 IIAs were prepared using evidence gathered from the public. This creates a bank of data for future years' budgets to help assess the risk of these options.

What worked less well:

- It would have benefited members to receive these options earlier in the year.
- The budget options did not cross-refer to service standards and commissioning intentions which were developed later in the year.
- It was not possible to create a cumulative IIA describing the effect of the proposed budget on protected characteristics as these were proposals for elected members to choose from. A cumulative IIA would increase visibility on the impacts on protected characteristics of a whole budget.

3.12 Stage 5 – Elected Member Workshops

Officers held workshops with elected members to share the budget options in the corporate playbook end of September/early October.

What worked well:

- Early engagement with elected members.
- Supported members to understand challenges outwith their own wards.

What worked less well:

- A loss of momentum as the year progressed meant the opportunity to for members to query available options was limited.

3.13 Stage 6 - Public Engagement Phase 2

Officers prepared a "budget simulator" using the budget options and asked the public to review these options, to select savings and to explain how each option would affect them. This engagement was during October/November with follow up face to face sessions in January.

The online consultation invited respondees to consider a series of potential options to reduce council expenditure or raise income. For each option, monetary values were given to a range of alternative scenarios, with respondees selecting the one they favoured. Free text comments were also invited for each group of options. 2,654 responses were received. Lessons learned include both positives and negatives:

What worked well?

- publishing the engagement, including and explaining budget options, increased transparency and awareness of potential changes being considered as part of budget setting process.
- the data gathered allowed a statistical comparison to be made between the options / scenarios selected by respondees, giving some indication of preference.
- the vast majority of respondees gave demographic and geographic information allowing feedback to be analysed at a granular level.

- the nature of the engagement undertaken via the online digital tool is, of course, very different to the later face to face engagement. The quality of feedback from face to face engagement is usually higher, but the online tool allows a larger volume of input. Face to face engagement sessions provided high quality data to inform IIAs and suggestions for where citizens might be prepared to accept an increase in fees and charges or a reduction in service level.

What could have been better?

- many budget options have a degree of complexity. Whilst information on each option was provided within the digital tool, there is necessarily a balance between providing full detailed explanations / context and designing a use friendly survey. It was clear from free text comments that some respondents did not feel they had sufficient knowledge to make informed selections about some options.
- the tool allowed respondents to submit responses which did not fully “balance the budget”. Only 19% of responses did balance. There are a number of factors to consider in future development of the tool, including whether requiring the budget to balance may dissuade some respondents from completing the survey.
- analysis of the respondents showed differences in the proportion of people responding based on protected characteristics and the area of the city where they reside. This included: some correlation between areas of relatively high deprivation and low response numbers; very low numbers of young people responding; low diversity in ethnicity and nationality.
- there was no mechanism to prevent, or know whether, an individual responded more than once.
- conducting the analysis of free text comments was resource intensive (approximately 3 weeks for 1 fte).
- 2,654 responses represents just over 1% of the city’s population. This also includes 146 responses where the respondent stated that they lived outside the city.
- the nature of the online engagement meant that whilst responses from people with protected characteristics were captured and analysed, it was not possible to understand the impacts of budget options for those people.
- there is evidence from the free text comments that some respondents were unclear on the purpose of the consultation and the scope of local authority responsibilities.

3.14 Stage 7 – Reporting Phase 2 results to Members

We reported the results of the simulator to Council in December and provided members with access to a draft Integrated Impact Assessment for each budget option.

What worked well:

- Use of Co-Pilot to report the results.
- The updated financial position was aligned with the public priorities and this allowed elected members to refine draft budgets immediately following the Council meeting.

What worked less well:

- Additional analysis of the results was needed by officers and was very resource intensive.

3.15 Stage 8 – Elected Member Workshops to Develop Budgets

Officers met with members to determine their budgets using the corporate playbook, feedback from public consultation and the Integrated Impact Assessments.

What worked well:

- Continued engagement with elected members and an opportunity to ask questions.

What worked less well:

- Budget packs could not be circulated until full details of the settlement had been received and analysed.

3.16 Stage 9 – Submission of Final Budgets to Chief Finance Officer

Members submitted final budgets to the Chief Finance Officer 3 days before the budget meeting.

What worked well:

- This created some additional time for Finance teams to support elected members in balancing their budgets.

What worked less well:

- The rigour applied in preparing IIAs and risk assessments for officer proposals was not possible for elected member proposals which were submitted three days before the meeting, increasing the risk to the Council.
- Whilst an improvement on previous years, there were significant last minute alterations to all budgets submitted. This included a requirement to prepare competent instructions to sit alongside all budgets. This created significant pressure on the Chief Officer – Finance and risks a resilience failure given the scrutiny required.
- Council was required to suspend Standing Orders to enable all budgets to be debated, as modifications were made to all budgets after the deadline for submission.
- Whilst the Protocol provides an option for submitting four year budgets, this option was not taken by any political group or member.

3.17 Whilst not included in the Protocol, training and development sessions were considered essential given that this was the first year of a more structured approach to budget development. The Leadership Forum received training from external legal providers on the Public Sector Equality Duty, a session which was attended by over 200 officers. Elected members received a similar session which was attended by less than half of councillors. This session remains available for viewing on the Elected Members' Information and Development site and all members are encouraged to watch this to understand their specific duties under the Equality Act.

- 3.18 Members of the Audit, Risk and Scrutiny Committee will review an internal audit report on the budget setting process, at their meeting on 9th May 2024. This was an audit of the 2023/24 budget setting, but incorporates some of the improvements brought into the 2024/25 process. Any recommendations approved by Committee which impact on the Scheme of Governance will be shared with the Governance Reference Group as it prepares options for Council to consider in July.
- 3.19 In addition, Council on 7th March 2024 instructed the Chief Executive:
- 1) to continue to engage third sector, ALEOs, public sector partners, Aberdeen Youth Movement, school students through in person engagements allowing for greater explanation and discussion and Higher and Further Education students, as part of the budget consultation moving forward; and
 - 2) to bring forward proposed changes to the Budget Protocol confirming the consultation requirements for savings options which may breach Scottish Government grant conditions, breach legislation or guidance.
- 3.20 These will be built into the proposed revisions to the Protocol as part of the Scheme of Governance in July, in order to formalise and bring forward the engagement which officers already carry out with partners through a number of sources, including the Multi-Agency Transformation Management Group. This will also address the lower than expected engagement with young people - Phase 2 of the 2023/24 online consultation received fewer than 10 responses where the individual stated they were under 18 years of age. Officers are simultaneously working to develop the engagement piloted in Northfield and Dyce academies with focus groups of young people. This approach ensures young people have the opportunity to ask questions and gain a better understanding of the options being shared.

4. FINANCIAL IMPLICATIONS

- 4.1 The online budget simulator, used for the purpose of public consultation and engagement, cost £7,495 (ex. VAT) in 2023/24. A budget, up to £10,000, is available to support similar costs in 2024/25.

5. LEGAL IMPLICATIONS

- 5.1 Paragraph 8 of Schedule 7 to the Local Government (Scotland) Act 1973 provides that “*Subject to the provisions of this Act, a council may make standing orders for the regulation of their proceedings and business and may vary or revoke any such orders*”.
- 5.2 The Budget Protocol is incorporated in the Council’s Standing Orders which provide that “*Any motion or amendment in respect of the budget must be submitted to the Chief Officer – Finance....in accordance with the Budget Protocol*” (SO 29.2).
- 5.3 The 1973 Act requires that certain documents must be issued, or made available for public inspection, by the local authority at least three clear days before the meeting in question – and our Standing Orders exceed this minimum

requirement in as much as they require notice of a meeting to be published at least five clear days before the meeting. However the 1973 Act does not address when amendments require to be issued by elected members – that is left to be determined by Standing Orders.

- 5.4 Section 149 (Public Sector Equality Duty) of the Equality Act 2010 requires public authorities, in the exercise of their functions, to have due regard to the need to 1) eliminate unlawful discrimination (both direct and indirect), harassment and victimisation, 2) advance equality of opportunity between different groups and 3) foster good relations between different groups. Integrated Impact Assessments capture these duties, as well as duties in relation to the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 (“the UNCRC Act”).
- 5.5 The Council is required to balance its budget as part of its duty under section 95 of the Local Government (Scotland) Act 1973 to make arrangements for the proper administration of its financial affairs.
- 5.6 The Budget Protocol is intended to ensure that the Council produces a balanced budget whilst also complying with its statutory duties including equality legislation. Failing to do so would leave the Council’s budget decisions open to legal challenge.
- 5.7 The UNCRC Act received Royal Assent on 16th January 2024. Section 6 of the UNCRC Act places a duty on the Council not to act in a manner which is incompatible with UNCRC requirements when exercising a “relevant function.” Section 6 of the UNCRC Act will come into force on 16th July 2024.
- 5.8 In summary a “relevant function” is a duty created by the Scottish Parliament and does not extend to devolved functions created by legislation of the UK Parliament.
- 5.9 The Local Government (Scotland) Act 1973 is a UK Act of Parliament and as such the UNCRC compatibility duty does not directly apply to the duty implied by section 95 to set a balanced budget. However, in setting its budget there may be indirect impact on functions of the Council conferred by Scottish Acts of Parliament to which the UNCRC compatibility duty does apply. Furthermore, there is no barrier to the Council choosing to act compatibly with UNCRC requirements when setting a balanced budget.
- 5.10 The current IIA, Part 5, requires consideration of UNCRC requirements, including the four general principles of the Convention: non-discrimination (Article 2); best interests of the child (Article 3); right to life, survival and development (Article 6) and right to be heard in decision making (Article 12). The budget protocol also requires targeted consultation with affected groups (paragraph 6).
- 5.11 The Scottish Government is currently consulting on draft statutory guidance on the UNCRC Act which may further inform amendments to IIA and the Budget Protocol. The consultation closes on 16th May 2024.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no environmental implications arising from the report recommendations.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Lack of alignment between budget and strategic outcomes.	Alignment between budget and Council Delivery Plan agreed by Council.	L	Yes
Compliance	Risk of non-compliance with legal duty to agree a balanced budget. Lack of compliance with Equality Act 2010.	Budget Protocol is designed to ensure compliance with the legislation in each case.	L	Yes
Operational	Lack of a robust Scheme of Governance to guide officers stewardship matters.	Budget Protocol forms part of the Scheme of Governance and improves officer and elected member stewardship.	L	Yes
Financial	Risk of non-compliance with legal duty to agree a balanced budget.	Budget Protocol and Financial Regulations ensure this is met.	L	Yes
Reputational	Failure to transparently engage with public on	Two phases of public engagement to ensure transparency on budget options and receive	L	Yes

	budget options.	feedback on these, providing public with the opportunity to offer alternatives.		
Environment / Climate	None.			Yes

8. OUTCOMES

There is no impact from the report recommendations on the delivery of outcomes.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	No assessment required. I confirm this has been discussed and agreed with Interim Chief Officer Governance on 18 th March 2024.
Data Protection Impact Assessment	Not required.
Other	None.

10. BACKGROUND PAPERS

None.

11. APPENDICES

None.

12. REPORT AUTHOR CONTACT DETAILS

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