

## REPORT TO ABERDEENSHIRE COUNCIL – 22 FEBRUARY 2024

### ABERDEENSHIRE COUNCIL BUDGET 2024-29

#### 1 Executive Summary/Recommendations

1.1 This report provides details of the proposed Revenue and Capital Budgets for the financial year 2024/25 and indicative budgets for financial years 2025/26 to 2028/29. The proposed budget reflects a Council Tax Freeze and incorporates the proposed Reserves, Treasury Management and Medium-Term Financial Strategies as detailed in this report. Also included is the approval for increases to all Council fees and charges.

#### 1.2 The Council is recommended to:

##### Settlement

1.2.1 Agree acceptance of the funding package from the Scottish Government which includes £7.963 million for the acceptance of a Council Tax Freeze in Appendix 1, subject to Parliamentary approval of the Scottish Government Budget;

##### Medium Term Financial Strategy

1.2.2 Agree the Medium-Term Financial Strategy (MTFS) as detailed in Appendix 2;

##### Capital Budget

1.2.3 Agree the 5-year Capital Plan for 2024/25 to 2028/29 and the indicative high-level capital spend and funding estimates that fall within the affordability limits set out in the MTFS as detailed in Appendices 4,4A and 4B for the period through to 2038/39;

1.2.4 Agree to receive regular update reports on the progress of the Capital Plan and borrowing costs;

##### Treasury Management

1.2.5 Approve the Treasury Management Strategy (TMS) and Annual Investment Strategy for 2024/25 as set out in Appendices 5 and 5A;

1.2.6 Agree the Prudential Indicators and Limits for 2024/25 as set out in Appendix 5A and note the indicative indicators and limits for 2025/26 and 2026/27;

## **Revenue Budget**

- 1.2.7** Agree the proposed Revenue Budget for 2024/25 as detailed in Appendix 6, including the proposed savings shown within Appendix 7;
- 1.2.8** Agree the indicative Revenue Budgets for 2025/26 to 2028/29 as detailed in Appendix 8;
- 1.2.9** Note the financial risks associated with this budget as set out in Appendix 3B;
- 1.2.10** Agree that Policy Committees will receive regular financial performance monitoring updates which encompasses progress with savings and managing of risks;

## **Council Tax Policy**

- 1.2.11** Approve the Empty Property and Second Homes Council Tax Policy as shown within Appendix 9 with effect from 1 April 2024;

## **Business Rates Empty Property Policy**

- 1.2.12** Approve the Business Rates Empty Property Policy as shown within Appendix 10 with effect from 1 April 2024;

## **Fees and Charges**

- 1.2.13** Agree the proposal for revised fees and charges from 1 April 2024, as detailed in Appendices 11 and 11A;

## **Reserves**

- 1.2.14** Agree the reserves strategy, being the principles for managing and using reserves, as detailed in Appendices 12 and 12A;
- 1.2.15** Agree to (i) maintain a Working Balance of £9m, (ii) the creation of the Place Strategy reserve of £1.4m, from the reduction in the Regeneration and Priority Town existing reserve;
- 1.2.16** Agree that any out of balance position in the Council Revenue Budget 2023/24 be funded from the Risk and Inflation Reserve;
- 1.2.17** Agree that Aberdeenshire Council's share of any out of balance position in 2023/24 for the Health and Social Care Partnership be funded from the Risk and Inflation Reserve – Health and Social Care Partnership;
- 1.2.18** Agree that £1.990m of the Transformation Reserve be released to fund the voluntary severance costs for staff leaving the organisation in 2023/24.

**1.2.19** Note that the final level of reserves may be subject to change following the conclusion of financial year 2023/24 and agree to receive a further update following conclusion of the annual accounts process;

## **Monitoring**

**1.2.20** Agree that work continues to balance the future years revenue budgets as part of the Medium-Term Financial Strategy supported through the Council's planned transformation programme;

**1.2.21** Agree that Revenue, Capital, and Reserves continue to be the subject of Financial Performance Reporting throughout 2024/25; and

**1.2.22** Agree that a revised Medium-Term Financial Strategy, including a draft revenue and capital budget and reserves position for 2025/26 be considered by Full Council in November 2024.

## **1. Decision Making Route**

- 1.1. The Council is legally required to set a balanced budget for the 2024/25 financial year. The budget must reflect the planned expenditure and anticipated income for the year, and should consider all known financial resources available, including the Local Government Finance Settlement offered by Scottish Government for 2024/25, the assumed Council Tax freeze, and the balances available in Reserves.
- 1.2. To ensure the adequacy of resources to deliver the Council priorities in 2024/25, a full review of all budgetary requirements and anticipated income levels across the revenue and capital budgets was undertaken.

## **2. Discussion**

- 1.3. This 2024/25 budget is being set against a backdrop of economic uncertainty and significant financial challenges for the Council and its residents.
- 1.4. The attached appendices reflect the Council's Medium Term Financial Strategy, with the proposed changes required to bring about a balanced revenue budget. They include a reduction in capital expenditure, revenue savings, fiscal flexibilities, and the use of reserves as follows:
  - Appendix 1 – Draft Local Government Finance Settlement 2024-25, which details the revenue and capital funding to be received from Scottish Government for Financial Year 2024/25, which includes the offer of funding to the Council in return for freezing Council Tax at the 2023/24. **Band D level of £1,393.42.**

This is currently the draft position and may be subject to change once Scottish Government final budget is approved at the end of February 2024.

- Appendix 2 - Medium Term Financial Strategy – provides a strategic overview of the framework within which the Council is operating and details assumptions around the resources required to deliver the Council's priorities over the medium term. It highlights the risks that the Council faces and provides an overview on plans to close the future funding gap.
- Appendix 3A – reflects the assumptions that underpin the changes in expenditure and income over the MTFS period. These will be subject to annual review as part of the budget setting process.
- Appendix 3B – is the budget risk register which will be used over the upcoming financial year to identify, assess, and manage risks that could impact the budget, including potential threats, their likelihood, impact, and mitigation strategies.
- Appendices 4, 4A and 4B – provides the information to inform the setting of the General Services Capital Plan for 2024/25 and identifies the need to cap capital expenditure over the 15 year term of the Capital Plan to ensure long term affordability and sustainability, to avoid the need for future cuts to services.
- Appendices 5 and 5A - Treasury Management Strategy – details the borrowing and investment strategies to support the delivery of the Council's priorities by ensuring proper governance in this area and provides a list of performance indicators - **Prudential Indicators** – to support the monitoring of adherence to the strategy.
- Appendix 6 - Revenue Budget – outlines the resourcing requirements for 2024/25, and the efficiencies, savings, accepted risks and use of reserves to bring about a balanced revenue budget. Also reflected are the indicative budgets for 2025/26 to 2028/29 and the estimated funding gap. This budget encompasses the revenue implications of the Capital Plan, Treasury Management Strategy, Council Tax and Business Rate Policy changes.
- Appendix 7 – Detailed Savings Schedules.
- Appendix 8 – details the 2024/25 balanced budget and the following 4 years indicative budgets over the period of the MTFS.
- Appendix 9 – Business Rates – Empty property policy – this explains the policy revisions and the discounts that will be available to property owners from 1 April 2024.
- Appendix 10 – Council Tax - Empty Property and Second Homes Policy – this explains the policy revisions that the Council plans to apply from 1 April 2024.

- Appendices 11 and 11A – Fees and Charges – Detail the changes to all Council Fees and Charges for Financial Year 2024/25, the income associated with these increases are reflected in the 2024/25 Revenue Budget.
- Appendices 12 and 12A - Reserves – details the Reserves Strategy of the Council and the current and proposed levels of Reserves to be held.

#### 4 Council Priorities, Implications and Risk

4.1 The work and outcomes delivered through the various services reporting to Full Council helps in the delivery of all six of the Council’s Strategic Priorities:

Pillar	Priority
Our People	Learning for Life Health & Wellbeing
Our Environment	Climate Change Resilient Communities
Our Economy	Economic Growth Infrastructure and public assets

4.2 The table below shows whether risks and implications apply if the recommendations are agreed.

Subject	Yes	No	N/A
Financial	X		
Staffing	X		
Equalities and Fairer Duty Scotland	IIA attached as Appendix 13		
Children and Young People’s Rights and Wellbeing			X
Climate Change and Sustainability			X
Health and Wellbeing			X
Town Centre First			X

4.3 The financial implications are inherent in the report. The impact of the proposed budget on staffing may, in some instances, require staff numbers to be reduced to achieve budget savings in certain areas. The staffing implications of the savings will be assessed to determine how these can be minimised and any impact will be subject to comprehensive engagement and consultation with employees and Trade Unions in accordance with agreed policies and procedures.

4.4 Integrated Impact Assessments have been carried out as part of the development of the Revenue Budget proposals. A summary of the outcome of

the Integrated Assessments has been prepared and forms **Appendix 13**. A final summary and the full version of each Impact Assessment, and detailed breakdown of impact to protected characteristics will be made available on Aberdeenshire Council's website following the budget day announcements.

- 4.5 Given that each separate decision made when setting the budget may impact on the lives of people with protected characteristics, the importance of the cumulative impact on the decisions being taken is recognised.
- 4.6 Notwithstanding the impact on residents of Aberdeenshire, it is also recognised that reduction or changes within budgets may result in a reduction of employee numbers across some council services. Some proposals will require specific Integrated Impact Assessments to be undertaken to identify the impacts which are currently unknown.
- 4.7 An impacts assessment of the anticipated or potential impact of each individual proposal has been undertaken by relevant lead officers and signed off by relevant Heads of Service. Most proposals have identified no differential impact on people with protected characteristics or people facing socio-economic disadvantage. Several additional assessments have a neutral impact on people with protected characteristics or socio-economic factors. Further analysis is provided in **Appendix 13**.
- 4.8 The following Risks have been identified as relevant to this matter on a Corporate Level:
- Budget Pressures ([Corporate Risk Register](#)) – as detailed above the Council's budget will be under increasing pressure due to rising inflation, energy prices and the ongoing pandemic recovery. This risk has been mitigated during the budget setting process by consultation with directorates to identify and incorporate pressures into the proposed budget to ensure services are adequately funded. This will be monitored throughout the year, with regular reporting to Policy Committees and to Council. This will enable any in-year pressure to be identified timeously to ensure action can be taken at an early stage.
- 4.9 The following Risks have been identified as relevant to this matter on a Strategic Level:
- We live within our means and use public money to maximise outcomes for our communities ([Business Services Directorate Risk Register](#)). This budget sets out the means to which the Council can deliver its services. The deliverability of the budget will be monitored regularly as detailed above.
  - Our assets, property and land are managed to the best financial effect, supporting delivery of our priorities and service ambition in the medium to long term ([Business Services Directorate Risk Register](#)).

## 5 Scheme of Governance

- 5.1 The Monitoring Officer within Business Services has been consulted in the preparation of this report and her comments incorporated to ensure satisfaction that the report complies with the [Scheme of Governance](#) and relevant legislation.
- 5.2 The Council is able to consider and take a decision on this item in terms of general provisions conferred by the [List of Committee Powers in Part 2A](#) of the Scheme of Governance including A1.1 relating to the setting of Council tax, A8.1 setting the Council budgets including Revenue and Capital and 8.2 the approval of the Treasury Management Strategy. A decision on this item is linked to the approval of the annual estimates and setting the Council Budgets contained within Section A.8.1 of the List of Committee Powers in Part 2A of the Scheme of Governance.
- 5.3 The approval of finance related policy is delegated to the Business Services Committee in Part 2A section B of the Scheme of Governance however given that the additional income to be generated from the introduction of the Council Tax policy is intrinsic to the setting of the budget, Council is asked to determine this policy. The ability to introduce the Council Tax policy change is by virtue of The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023. Which was just introduced December 2023. This has prevented the Council having time to consult directly on the proposals however is relying on the Scottish Government consultation on the impacts and this is referenced in the relevant Integrated Impact Assessment. The approval of the change to Business Rates Policy is also intrinsic to the budget setting, hence Council being asked to determine the Policy. There has been no consultation with Area Committees however all members of Council are members of an Area Committee and so have an opportunity to raise local impacts of the policies during their consideration.
- 5.4 The approval of fees and charges are delegated in the Scheme of Governance to both Policy Committees and in some cases officers. General Power 10 set out in Part 2A of the Scheme of Governance empowers Full Council to determine any matter notwithstanding any delegation to a Committee or an Officer.

### Rob Simpson – Director of Business Services

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Appendix 1	Draft Local Government Finance Settlement
Appendix 2	Medium Term Financial Strategy
Appendix 3A	Budget Assumptions
Appendix 3B	Budget Risk Register
Appendix 4	Capital Plan 2024 to 2029
Appendix 4A	General Services Capital Plan - Financing
Appendix 4B	General Services Capital Plan - Detail
Appendix 5	Treasury Management

Appendix 5A	Treasury Management and Investment Strategy
Appendix 6	Indicative Revenue Budget 2024/2025 to 2028/29
Appendix 7	Savings 2024/25
Appendix 8	5 Year Revenue Budget
Appendix 9	Council Tax – Second Homes and Empty Property Policy
Appendix 10	Business Rates – Empty Property Policy
Appendix 11	Fees and Charges
Appendix 11A	Fees and Charges – all Council Fees and Charges
Appendix 12	Reserves
Appendix 12A	Statement of All Council Reserves
Appendix 13	Integrated Impact Assessment