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ADDITIONAL CIRCULATION



To: Councillor Young, Convener; Councillor Donnelly, Vice Convener; and Councillors Allan, Cameron, Crockett, Dickson, Jackie Dunbar, Flynn, Len Ironside CBE, Laing, Milne, Nicoll, Reynolds, Jennifer Stewart, Taylor, Townson and Yuill.

Town House,
ABERDEEN 8 March 2017

FINANCE, POLICY AND RESOURCES COMMITTEE

The undernoted items are circulated in connection with the meeting of the **FINANCE, POLICY AND RESOURCES COMMITTEE** to be held here in the Town House on **THURSDAY, 9 MARCH 2017 at 11.00 am.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

B U S I N E S S

2.1 Deputations (Pages 3 - 6)

5.8 Non-Domestic Rates Relief Scheme (Pages 7 - 20)

8.15 JIVE Project - Grant Agreement (Replacement Report) (Pages 21 - 26)

8.21 Kingswells Bus Services (Redacted Report) (Pages 27 - 36)

Please note that a confidential report relating to this item is included within the private section of this agenda.

ITEMS THE COMMITTEE MAY WISH TO CONSIDER IN PRIVATE

9.2 AECC Anaerobic Digester Plant and Gas Upgrader Procurement Exercise
(Pages 37 - 46)

10.2 Transition Extreme (Pages 47 - 58)

11.4 87-93 Union Street and 1-6 Market Street (Pages 59 - 132)

11.6 Kingswells Bus Services (Pages 133 - 150)

Should you require any further information about this agenda, please contact Mark Masson, tel. 01224 522989 or email mmasson@aberdeencity.gov.uk

To - Aberdeen City council Finance Committee

From - Jim Henderson – representing petitioners and signatories on Kingswells bus services petition collected in September 2016.

Intimation - Request to receive a deputation in respect of the situation following the withdrawal of bus services X40 and number 11 by First Aberdeen with effect from 1 April 2017.

Subject – Review of implications and consideration of possible solutions.

Objective – to assist the council in securing a replacement bus service which meets the operational guidelines recognised by the council and to do so in a manner which aims to minimise any potential subsidy from the Council.

Outline of content –

- *Historical background*
- *Groups affected*
- *Assessment of services proposed by Stagecoach*
- *Potential solutions*

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Mark,

Kingswells Community Council wish to make a deputation to Aberdeen City Council Finance Committee regarding the withdrawal of the X40 and 11 bus services from Kingswells.

Subject: Review the impact on Kingswells residents.

Objective: By reviewing the impact on Kingswells and outlining minimum requirements for a replacement service we want to assist the committee to provide a suitable outcome for Kingswells.

Could you please forward this to Head of Legal and Democratic Services.

Thanks

Ian Cox
Secretary
Kingswells Community Council

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COMMITTEE	Finance, Policy and Resources
DATE	09 March 2017
CHIEF EXECUTIVE	Angela Scott
TITLE OF REPORT	Non-Domestic Rates Relief Scheme
REPORT NUMBER	CG/17/038
CHECKLIST COMPLETED	No

1. PURPOSE OF REPORT

At the Council meeting on 22 February 2017 the Council considered a report on the General Fund Revenue Budget 2017/18 to 2021/22 and the minute states:

“Notes the announcement of the Scottish Government proposing additional business rates relief and instructs the Chief Executive to consider this announcement in relation to Appendix 9 of the report and report to Finance, Policy and Resources Committee on 9 March 2017.”

The purpose of this report is to provide a further update on the position of the proposed rates relief scheme in Aberdeen as announced by the Scottish government on 21 February 2017.

2. RECOMMENDATION(S)

- i) To note that the Council has not received any further detail on how the national rates scheme will work in practice and that the report therefore provides the latest information available;
- ii) Notes the potential scheme that Aberdeenshire Council is proposing and is still subject to their approval process; and
- iii) Otherwise notes the content of the report.

3. FINANCIAL IMPLICATIONS

The Scottish Government estimate that the one year proposed relief scheme will cost £7.5m to implement in Aberdeen. The scheme will be introduced by regulations under section 153(3) of the Local Government etc. (Scotland) Act 1994:

(1) For any financial year, the Secretary of State may by regulations prescribe that the amount payable as non-domestic rate in respect of any lands and heritages shall be such amount as may be determined in accordance with prescribed rules.

(2) Rules prescribed under this section may be framed by reference to such factors as the Secretary of State thinks fit and such factors may, without prejudice to that generality, include the circumstances of persons by whom rates are payable.

(3) Regulations under this section may make different provision in relation to different areas and different classes of lands and heritages and, without prejudice to that generality, may make different provision in relation to lands and heritages

(a) whose rateable value exceeds, and those whose rateable value does not exceed, a prescribed figure.

(b) whose energy efficiency and greenhouse gas emissions fall into different categories prescribed for the purpose of this paragraph in rules under subsection (1).

The Head of Finance awaits regulations for the scheme.

From an operational perspective there will be no cost to upgrade the NDR system (providing the upgrade is purely to deal with legislative changes) in order to facilitate the annual billing process. It is anticipated that this will be completed over the next week.

4. BACKGROUND

Business Rates, or Non-Domestic Rates (NDR), are an annual tax based on the value of the business, commercial and public sector property that they occupy. They are calculated using the Rateable Value (RV) of the property (set by regional assessors) multiplied by a poundage rate set by the Scottish Government - until 1 April 2017, this is 48.4% of a property's value. A revaluation by the Assessor has set the RV for a five-year period which will come into effect on April 1 2017.

The implications for businesses are that the new values are based on a 'tone date' of two years previously, 1 April 2015. The implications for businesses in Aberdeen and the north east of Scotland is that at that time, the effects of the then recent oil and gas downturn, had not yet fed through to the wider economy. Currently however, the indications are that the effects of the down turn is having an impact on local businesses, and with the increased rates liable from the proposed rateable values, there has been a concern that businesses would be materially affected in the context of the wider effects of the decreasing oil price.

As a result of the revaluation, on average, hotels were facing increases in their Gross Bills of 37%. This is significantly higher than other sectors.

Appendix 9 of the budget report to Council on 22 February 2017 examined a number of local relief schemes based on running different scenarios. Therefore this report should be read in conjunction with that report.

4.1 Potential Aberdeenshire Scheme

It should be noted that within a regional context Aberdeenshire Council propose to discuss a proposed local scheme as follows:

With regards to a proposed scheme, the following criteria is being considered in order to determine businesses eligible for relief, where relief is a reduction in the provisional increase in Business Rates. The following properties will not be included:

- ☐ *Properties with a Rateable Value (RV) = zero*
- ☐ *Properties where the RV has reduced or not increased*
- ☐ *Properties whose RV is less than £15,000 as they already qualify for 100% relief*
- ☐ *Properties whose RV is above £120,000*
- ☐ *Properties who are included in the national relief scheme: Hotels, Pubs, Restaurants, Cafes*
- ☐ *Properties who are included in the local relief scheme: offices*
- ☐ *Public Sector properties*
- ☐ *Properties likely to be exempt due to other reliefs e.g. Churches*
- ☐ *Properties relating to Renewable Energy due to existing reliefs*

The total funding they are making available for the scheme is £3 million made up of £2.8 million for direct reliefs and £0.2 million for future economic development. A verbal update on the cost of a similar scheme for Aberdeen will be given at the Committee meeting.

4.1 Scottish Government Relief Scheme

The Scottish government has therefore agreed to cap 2017-18 bill increases at 12.5% (real terms) through the creation of a new national relief scheme and to consolidate the support to the sector they will extend this to pubs, restaurants and cafes. The Scottish government estimate that this is to benefit around 500 properties in Aberdeen at a cost of around £3.7m

Office space in Aberdeen and Aberdeenshire is facing particular economic difficulty as a result of the downturn on the Oil & Gas sector. The revaluation would see increases in Gross Bills of 17% in Aberdeen city and 15% in Aberdeenshire compared to a national decrease of 10%. The Scottish government will introduce a new local relief scheme to cap 2017-18 bill increases to no more than 12.5%. The Scottish government estimates this will benefit 847 business properties in Aberdeen at a cost of around £3.8m.

For the renewables sector, where reductions to subsidies by the UK government put their continued development at risk, the Scottish government will offer a package of reliefs including:

- Rolling forward current rates relief up to 100% for qualifying community renewables and new build schemes, and lower the eligibility threshold for community schemes from 1 MW to 0.5 MW
- Cap rates bill increases at 12.5% for small-scale hydro schemes (up to 1 MW)
- Offer a new 50% relief for district heating schemes

This will benefit around 100 premises in Scotland. None of these is in Aberdeen.

The Scottish government estimate that the one year proposed relief scheme will cost £7.5m to implement in Aberdeen. This figure includes an adjustment for the small business bonus scheme, however the policy has not yet been finalised. Scottish Government officials are still working on modelling how these properties will be treated. The cost of the scheme could fall once this is accounted for. The full details to date released by the Scottish Government are attached as Appendix 1 of this report.

5.2 Comparison of Cost Estimates and Number of Businesses Affected

After the Scottish government announced details of the national relief scheme officers of the Council carried out quick calculations of the likely cost of the relief and the number of businesses affected. These initial estimates were a little lower for the hospitality sector and a little higher for the office sector compared with Scottish government estimates. Since then we have had an opportunity to compare our methodology with that of the Scottish government. Our previous cost estimates differed from those of the Scottish government. This is because:

- The Scottish government relief scheme costs were estimated on an earlier different version of draft assessor data with slightly different rateable values and properties.
- The Scottish government relief scheme cost estimates used slightly different categories to define hospitality. This meant that cost estimates from Aberdeen city officials were slightly lower for hospitality than would otherwise have been the case.
- The Scottish government relief scheme estimates uses a cap of 12.5% increases of current rates in real terms. This meant increasing current rates by 2% and capping this by 12.5%. Aberdeen City officers had originally capped increases to 2016 rates in nominal terms at 12.5%.
- Aberdeen city officials attempted to exclude businesses eligible for the small business bonus scheme in estimating the cost of the scheme. Scottish government estimates haven't done this.
- Aberdeen officials did not have data to accurately estimate the cost of renewables relief so did not provide a cost estimate of this.

Calculating estimates of the costs of the relief scheme on the same basis, officers of the Council broadly agree with these cost estimates and the number of businesses affected but note that these are subject to change with further modelling work of costs and coverage still planned.

5.3 Limitations of data used to produce cost estimates

In estimating the costs of this scheme, it has not been possible to identify and exclude all the properties of all other business premises that are eligible for relief under the current system (such as charities) nor all the properties of businesses that we would not want to have entitlement to a local rates relief scheme (such as public sector bodies). It is also not possible to identify where properties where more than one property has the same owner for the purposes of calculating rates liability.

When the final assessor data is made available, and officers upload that into the Council's Non-Domestic Rates system, we will be able to identify and exclude such businesses, which could lower the cost estimates of the relief scheme. Multiple ownership information would also then be available. Because the assessor dataset is based on postal address, we do not have precise information on the corresponding business name, and the industry sector they operate in. Within the 'offices' category in the data set, this may include a range of businesses operating in different industry sectors. With the final assessor data available, further analysis would allow officers to understand better the nature of companies in this broad category that would benefit from any scheme.

5.4 Operational issues

The Council requires a functional system release for the NDR system that meets legislative requirements prior to undertaking the annual billing exercise. Assuming that

the Scottish Government provide this clarity in the next week the Council's suppliers have indicated that we would have a functional system release by early April.

Once this is received the Council will need to test the new release as well as running in the 2017 data from the Assessor. The next step in the process is to check that the system calculates the 12.5% cap correctly for the right businesses.

Once this is complete officers will apply the update to 2,500 Small Business BS cases due to the change in the rateable value changes.

Given the above the earliest the Council will be undertaking the annual billing process will be mid-April with a target date of the week commencing 17 April 2017. While not ideal, especially given the amount of interest from businesses, this is the earliest (subject to Committee decision today) the Council will be in a position to send the annual bills out to businesses.

It should be noted that this target date is subject to Scottish Government releasing the relevant scheme details to suppliers and suppliers being able to implement this. The date is therefore subject to change should the external work streams not be completed timeously. Group Leaders will be advised on the billing date should this move.

It should be noted that the first instalment for Business Rates is not due until 21 May 2017 and the target billing date is now critical to allow businesses to make any necessary arrangements to meet this date.

5. **Improving Customer Experience –**

A relief scheme could help the city's key business stakeholders and their employees by ensuring they are not faced with unaffordable costs and closure. Further, by ensuring that annual billing is completed by mid-April businesses are able to plan for making their monthly payments.

Improving Staff Experience –

The annual billing process is generally a busy period for staff. Having a finalised scheme properly tested and ready for billing will allow staff time to ensure the billing process is undertaken in a timeous and professional manner.

Improving our use of Resources –

In the longer term a relief scheme could ensure the viability of businesses generating greater NDR receipts for funding future council services. Early billing will also ensure that the Council's cash flow is not impacted by delays in businesses paying their NDR.

Corporate -

A relief scheme could help ensure a future flow of investment into the City contributing to the objectives of the Regional Economic Strategy.

Public –

The report is of interest to the public in terms of the potential economic benefits that a relief package could bring to the city by mitigating against some of the increases in costs that businesses face as a result of the large increases in NDR. The relief could mitigate against potential employment losses and a fall in future investment.

6. **MANAGEMENT OF RISK**

The following risks are identified from implementing a NDR relief scheme:

6.1 Data

The Council has had to rely on draft assessor data in assessing the local scheme and it should therefore be noted that any figures or financial impact will be reliant on this draft data and will therefore change. Further, until the data can be uploaded into the NDR System exact details on impact cannot be verified. The published Scottish government cost estimates themselves excludes any consideration of the small business bonus scheme which the Scottish government officials are still working on. The cost of the scheme could fall once this is accounted for.

6.2 Annual Billing

It is important that the Council is able to accurately bill businesses early in the financial year (targeting mid-April subject to external factors out with the Councils control) so that they are able to properly understand their NDR liability from a commercial perspective.

7. BACKGROUND PAPERS

General Fund Revenue Budget 2017/18 to 2021/22 and Non-Housing Capital Programme 2017/18 to 2021/22, Appendix 9 – Options for a Non-Domestic Rates Relief, Council Committee 22 February 2017

<http://councilcommittees/documents/s66669/General%20Fund%20and%20NHCP.pdf>

8. REPORT AUTHOR DETAILS

Jamie Coventry
Economic Adviser
Economic Development
Phone: 01224 522 491
Email: Jcoventry@aberdeencity.gov.uk

Steven Whyte
Head of Finance
Corporate Governance
Phone: 01224 523566
Email: swhyte@aberdeencity.gov.uk

- **Over 70% of Scottish properties will pay the same or less in 2017-18 than they do currently.**
- **And, excluding large designated utilities, the average bill paid by ratepayers, including the reliefs announced today, is due to decline by 2%.**
- We are cutting the poundage by 3.7%, extending the Small Business Bonus Scheme, and focusing the Large Business Supplement only on the very biggest premises.
- An external review (led by Ken Barclay) is exploring how business rates can better reflect economic conditions and support growth. We will respond quickly when it concludes in the summer.
- All ratepayers have a right of appeal against the independent Assessors determination of rateable value. This is free to do in Scotland, unlike in England where charges are proposed from 2017-18.

Next Year's Poundage and Reliefs

The rates poundage will drop 3.7% from 48.4p for 2016-17 to 46.6p for 2017-18.

We are excluding 8,000 premises from the large business supplement, and limiting it to fewer than 10% of premises (around 20,000) by raising the threshold for the supplement from a rateable value of £35,000 to £51,000.

The help already available to businesses

A range of relief (discount) schemes are in operation, which reduce the total bill paid by a property. The major reliefs include the Small Business Bonus, Charities Relief, Unoccupied/partly unoccupied Property Relief, and Disabled Persons Relief.

- We are proposing reliefs worth over £600 million for 2017/18.
- More than half of rateable properties will pay nothing for 2017-18 due to the Small Business Bonus and other reliefs.
- The Small Business Bonus eligibility threshold for 100% rates relief will increase to a rateable value of £15,000, lifting 100,000 properties out of rates altogether.
- The Small Business Bonus will provide maximum support of £6,990 per business
- The Small Business Bonus has saved business over £1.2 billion cumulatively since 2008.
- Properties with Rateable Value up to £18,000 can still get 25% relief, as is the case currently [so long as ratepayer's cumulative rateable value is no more than £35k].

	Scotland		England	
	2016-17	2017-18	2016-17	2017-18
poundage (pence)	48.4	46.6	48.4	46.6
large business supplement (pence)	2.6	2.6	1.3	1.3
LBS threshold (rateable value)	£35k	£51k	£18k / £25.5k London	£51k
small business 100% relief – upper threshold (rateable value)	£10k	£15k	£6k	£12k
small business <100% relief (rateable value)	50% to £12k 25% to £18k	25% up to £18k	tapers to 0% at £12k	...0% at £15k

Additional help now being made available – bringing total relief for 2017-18 to £660m

Hotels & Pubs

As a result of the revaluation, on average, hotels were facing increases in their Gross Bills of 37%. This is significantly higher than other sectors.

We will therefore cap 2017-18 bill increases at 12.5% (real terms) through the creation of a new national relief scheme and to consolidate the support to the sector we will extend this to pubs, restaurants and cafes. This will benefit around 8,500 properties and bring the average gross bill increase for hotels down to 12% and for pubs down to 2%.

The Barclay Review of Business Rates has confirmed that the review group has been made aware of the issues raised by the hospitality trade and are actively engaging with the sector. The Scottish Government will consider the group's report carefully and act quickly to implement it where it can.

Aberdeen & Aberdeenshire Office Space

Office space in Aberdeen and Aberdeenshire is facing particular economic difficulty as a result of the downturn on the Oil & Gas sector. The revaluation would see increases in Gross Bills of 17% in Aberdeen city and 15% in Aberdeenshire compared to a national decrease of 10%

We will introduce a new local relief scheme to cap 2017-18 bill increases to no more than 12.5%. This will benefit around 1,000 premises.

Renewables

For the renewables sector, where the cuts to subsidies by the UK government puts their continued development at risk, we will offer a package of reliefs including:

- Rolling forward current rates relief up to 100% for qualifying community renewables and new build schemes, and lower the eligibility threshold for community schemes from 1 MW to 0.5 MW
- Cap rates bill increases at 12.5% for small-scale hydro schemes (up to 1 MW)
- Offer a new 50% relief for district heating schemes

This will benefit around 100 premises.

What this means for properties in different parts of the country

The following table shows the number of rateable properties who will either see a (cash terms) reduction in their bill or see no change in their bill as a result of the Business Rates revaluation. This modelling is known to underestimate these properties because it does not take account of all the support through relief schemes provided by the Scottish Government and by Local Authorities in Scotland.

Local authority	No of rateable properties	% with decrease or no change in bill*
Aberdeen City	8,603	38%
Aberdeenshire	11,695	60%
Angus	4,703	78%
Argyll & Bute	8,311	67%
Clackmannanshire	1,532	63%
Dumfries & Galloway	9,013	71%
Dundee City	5,722	80%
East Ayrshire	3,876	70%
East Dunbartonshire	2,345	74%
East Lothian	3,323	63%
East Renfrewshire	1,736	78%
Edinburgh, City of	19,411	62%
Eilean Siar	2,429	66%
Falkirk	4,809	70%
Fife	13,299	77%
Glasgow City	25,582	73%
Highland	17,131	68%
Inverclyde	2,317	78%
Midlothian	2,856	60%
Moray	4,540	57%
North Ayrshire	5,009	72%
North Lanarkshire	9,855	79%
Orkney Islands	2,130	74%
Perth & Kinross	8,273	72%
Renfrewshire	6,343	73%
Scottish Borders	7,247	61%
Shetland Islands	1,986	69%
South Ayrshire	4,679	69%
South Lanarkshire	9,764	75%
Stirling	4,882	71%
West Dunbartonshire	2,855	74%
West Lothian	5,673	68%
Designated utilities **	29	45%
Scotland	221,958	69%

* These percentages are a known underestimate. In the first instance Gross Bill changes are analysed. Some basic property by property modelling of SBBS is then applied. In reality, many more businesses will benefit from some form of SBBS as well as the other reliefs provided by the Scottish Government.

What the new reliefs will mean for business properties by local authority and sector

NEW RELIEF ANALYSIS	Hotels, Pubs, Restaurants, Cafes		Offices		Total	
Local Authority	Number Benefitting	Relief (£m)	Number Benefitting	Relief (£m)	Number Benefitting	Relief (£m)
Aberdeen City	500	3.7	847	3.8	1,347	7.5
Aberdeenshire	311	1.2	303	1.1	614	2.3
Angus	97	0.3		0.0	97	0.3
Argyll & Bute	722	1.4		0.0	722	1.4
Clackmannanshire	39	0.2		0.0	39	0.2
Dumfries & Galloway	289	0.5		0.0	289	0.5
Dundee City	104	0.5		0.0	104	0.5
East Ayrshire	59	0.2		0.0	59	0.2
East Dunbartonshire	22	0.1		0.0	22	0.1
East Lothian	159	0.6		0.0	159	0.6
East Renfrewshire	11	0.1		0.0	11	0.1
Edinburgh, City of	1,551	11.7		0.0	1,551	11.7
Eilean Siar	110	0.1		0.0	110	0.1
Falkirk	101	0.7		0.0	101	0.7
Fife	330	1.3		0.0	330	1.3
Glasgow City	563	3.3		0.0	563	3.3
Highland	1,214	2.9		0.0	1,214	2.9
Inverclyde	31	0.1		0.0	31	0.1
Midlothian	61	0.3		0.0	61	0.3
Moray	179	0.5		0.0	179	0.5
North Ayrshire	175	0.5		0.0	175	0.5
North Lanarkshire	48	0.2		0.0	48	0.2
Orkney Islands	75	0.2		0.0	75	0.2
Perth & Kinross	448	1.3		0.0	448	1.3
Renfrewshire	73	1.2		0.0	73	1.2
Scottish Borders	266	0.4		0.0	266	0.4
Shetland Islands	68	0.5		0.0	68	0.5
South Ayrshire	208	0.8		0.0	208	0.8
South Lanarkshire	88	0.3		0.0	88	0.3
Stirling	317	1.6		0.0	317	1.6
West Dunbartonshire	44	0.2		0.0	44	0.2
West Lothian	117	0.4		0.0	117	0.4
Designated Utilities		0.0		0.0	0	0.0
Scotland	8,380	37.1	1,150	4.8	9,530	42.0

ANNEX

How Business Rates works

Non-domestic rates (Business rates) are a property-based tax charged to businesses and the public and third sectors, based on a property's rateable value. The revenue from NDR helps fund local services, including services to business. There are three main bodies involved in the rating system:

- the Scottish Assessors, assess the rateable values of non-domestic properties
- the Scottish Government sets the annual tax rate ("Poundage") and sets out and funds the national framework for reliefs, and
- local authorities, determine relief eligibility, issue NDR bills and collect payments.

The **Rateable Value** - set by the Scottish Assessors who work independently of the Scottish Government - is broadly equivalent to a year's fair market rent at the "Tone Date". The Assessor compare a range of property information and study the rental market to arrive at Rateable Valuations.

Each individual property's bill is based on a proportion of the rateable value. This proportion is set annually by the Scottish Parliament and is called the **Poundage**. Each bill is therefore calculated as follows:

$$\text{Business Rates Bill} = \text{Poundage} \times \text{Rateable Value}$$

Larger properties pay a larger tax rate through the addition of a poundage supplement – the Large Business Supplement.

How the Revaluation works

At regular intervals there is a statutory revaluation of the rateable value of all non-domestic properties. The rateable values of non-domestic properties are determined by the Scottish Assessors. They work independently of both the Scottish Government and local authorities.

Following a revaluation new values generally remain unchanged until the next revaluation unless properties are altered or other changes take place.

The Assessor is required to notify proprietors, tenants and occupiers of all changes which are made to the Valuation Roll by issuing a Valuation Notice.

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SUBMISSION OF LATE REPORT

NAME OF COMMITTEE : Finance, Policy & Resources

DATE OF COMMITTEE : 9th March 2017

TITLE OF REPORT : Non-Domestic Rates Relief Scheme

Reason for late submission of report (to be completed by report author)


The Head of Finance was awaiting final details of the Scottish Government relief scheme.

Reason why Convener is requested to consider accepting report as a matter of urgency / why the matter cannot wait for a future meeting (to be completed by report author)

To allow annual billing

Reason why Convener / Vice Convener has agreed to accept the report (to be completed by Convener / Vice Convener)

To allow annual billing

Convener/Vice-Convener : Councillor William Young  Signed

Date : 8th March 2017

Director/Representative : Richard Ellis  Signed

Date : 8th March 2017

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ABERDEEN CITY COUNCIL

COMMITTEE	Finance Policy & Resource Committee
DATE	9 th March 2017
DIRECTOR	Bernadette Marjoram
TITLE OF REPORT	JIVE Project – Grant Agreement
REPORT NUMBER	CHI/17/050
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek a decision from Members regarding the signing of the Grant Agreement for the JIVE project.

2. RECOMMENDATION(S)

It is recommended that the Committee:

1. Note the terms of the Background Papers and in particular the recommendations which were made by this Committee on 1 December 2016 (the “Decision”) and as detailed at paragraph 4.2 of this Report that two of the conditions for entering into this project remain unsatisfied at this time;
2. Note that the Decision was made by this Committee less than six months ago;
3. Approve, in accordance with Standing Order 22, that the Decision is amended in accordance with recommendations 3, 4 and 5 of this Report;
4. Approve the signing of the JIVE Grant Agreement by a Proper Officer;
5. Instruct officers to investigate additional funding sources to reduce the Council’s financial commitment to the project; and
6. Report back to this Committee on 30 November 2017 to:
 - a. Provide an update as to:
 - i. Progress on recommendation 4 above;
 - ii. Details of the Scottish Government financial contribution;

- iii. Details of Bus Operators agreement and financial contributions
- b. Allow Committee to decide whether or not to exit from the project.

3. FINANCIAL IMPLICATIONS

The financial implications of this project were discussed and approved on 1 December 2016. (See background papers).

4. OTHER IMPLICATIONS

1. In order to enable Aberdeen City Council to participate in this project and access the grant funding available there is a formal requirement to sign a grant agreement issued by the funding body before 19 March 2017. This Committee on 1 December 2016 previously approved participation in this project subject to conditions, however as those conditions have not yet been met the Grant Agreement has not been signed. Failure to sign could lead to exclusion from the project.
2. It is the case that two of the three conditions remain unsatisfied at this time:
 - a) A Scottish government financial contribution of £3,000,000
 - b) Bus Operators agreement and financial contribution.
3. The option which officers present in this report is a compromise solution. Internal legal advice, plus written communication from Element Energy (Lead Partner) are clear that entering the Grant Agreement is not an unconditional agreement to deliver. There are exit clauses which allow partners to exit the project without any penalty provided justified reasons are provided. The grant agreement does not specify what would be a justified reason and allows this to be determined by Fuel Cells and Hydrogen 2 Joint Undertaking ("JU") (Grant Agreement 50.3.1). However, such reasons which have been accepted as justified in previous projects similar to this were related to a change of economic situation for one of the partners and, while not legally binding, it has been indicated by the Project co-ordinator and it is believed by officers that the inability to satisfy either of the two outstanding conditions would qualify as justified reasons.
4. Should this be the case, and provided the JU deem the reason for leaving the project was justified, the Council would still be able to recover grant funding for any eligible costs incurred during the period prior to exiting the project. A period of 8 months is suggested to ensure that such costs are minimised and that if we do have to exit the project it would be at an early stage which allows another region the opportunity to replace Aberdeen and minimise disruption to the overall JIVE project.

5. In order to ensure access to grant funding a recommendation is put forward for consideration, which would allow officers additional time to secure the necessary commitments from external partners, whilst not losing out on the offer of grant funding totalling up to €1.95 million.

5. BACKGROUND/MAIN ISSUES

1. A funding application for the JIVE project has been accepted by the FCHJU, with Aberdeen City Council one of a number of partners. In order to receive such funding there is a requirement upon all partners to sign a Grant Agreement.
2. Committee previously approved participation in this project subject to conditions, however as those conditions have not yet been met the Grant Agreement has not been signed.
3. As we are dependent upon external bodies providing their confirmation to satisfy those conditions, we are seeking a solution which will allow us to sign the Grant Agreement with an extended timescale to satisfy those conditions. Failure to satisfy those conditions will result in Aberdeen City Council then exiting the project.
4. It is noted that Dundee City Council has signed the Grant Agreement despite not having any confirmation from Scottish Government regarding any financial contribution.
5. Dundee City Council are one of a number of “substitute partners” who will become an active partner financially if any of the initial partners are forced to withdraw/unable to sign the grant agreement.
6. In light of the unusual circumstances which these are, officers have written to the Element Energy (Lead Partner) and the funding body (FCHJU) to explain the situation and the FCHJU has granted a 30 day extension to sign the agreement so that this report can be present to committee for agreement.
7. Officers have continued to meet the two conditions agreed by committee and the current position is as follows:
 - a) Several requests to Scottish Government have been made in regard to their funding decision. This decision is dependent upon Transport Scotland and the Scottish Government’s Energy and Climate Change department budget setting process and confirmation is anticipated before June 2017.
 - b) Bus operators are engaged already and further discussions will take place to seek their formal commitment once Scottish Government funding is in place.

6. IMPACT

Improving Customer Experience –

This proposal will benefit both the operators and the general public in future by providing clean, quiet, zero emission buses and improving air quality in the city.

Improving Staff Experience –

Working within this technically challenging but rewarding sector has broadened the knowledge, improved project management and negotiation skills of the staff involved in various projects.

Improving our use of Resources –

This project has gone through a validation process to ensure the outcome of the project will reap the rewards for Aberdeen city council moving forward in terms of providing the public with clean, quiet, zero emission buses, improving the air quality within the city and the travel and wellbeing on citizens.

Corporate -

This project links into the North East's Regional Economic Strategy – "Further diversification into alternative energy technologies must be accelerated to complement work already being undertaken in shale gas, tar sands, hydrogen fuel cell supply chain opportunities, energy and carbon capture and storage and decarbonising food production."

This project was also detailed within the Strategic infrastructure Plan as one of the projects with substantial direct involvement from Aberdeen city Council that contribute to economic growth. It will also offer many opportunities for joint working with partner organisations on projects. One of the key successes of the hydrogen projects to date is the public/private partnerships which have been developed. Without this collaborative approach the aims of Aberdeen City Region's hydrogen Strategy cannot be delivered. The External Funding Plan reinforces the importance of joined up partnerships at local, national and international level.

This project also links Aberdeen City Region Hydrogen Strategy and the transport and energy priorities within Aberdeen – the Smarter City Vision to "define the image of an international 21st century energy city, leading a new leaner, cleaner, industrial revolution using the intensity of our social, business and community connection" and taking "a European lead in adapting new transport technologies" to "provide and promote a sustainable transport system, including cycling, which reduces our carbon emissions".

Public –

This project is of interest to the public in terms of the potential economic and environmental benefits that hydrogen and fuel cell technologies can bring to the City including job creation as well as air quality improvements. Significant local and national air quality benefits

can be derived from the deployment of low carbon vehicles offering zero exhaust emissions, reducing harmful pollutants such as nitrogen oxides (NO_x), sulphur dioxides (SO_x) and particulate matter (PM₁₀)

7. MANAGEMENT OF RISK

1. Overall project management of risk was presented to Committee on 1 December 2016 and therefore not repeated in this paper.
2. The purpose of taking this report to committee is to manage the risk to ensure that the correct authority is given to the proper officer to allow them to sign the grant agreement on a conditional basis as per the recommendation of this paper.
3. Should committee support the recommendation then there will be a clear timescale in place for officers to satisfy the conditions of FP&R on 1 December within a set deadline. If this is not met, then officers are instructed to exit the project.
4. Should the Council wish to exit the Project and the reason is not deemed to be justified then the Council may not be able to reclaim any costs associated with the Project and incurred to the date of exit and may require to repay grant monies already claimed by the Council and paid out by the JU. This is mitigated by Officers coming back to Committee to decide how to proceed in a relatively short timescale given the projected length of the Project and Officers being conscious of expenses incurred on the project to date. In addition until confirmation is obtained that we will progress further with the project at this Committee's meeting in November no financial cost centre will be created and costs will be routed through existing budgets..

8. BACKGROUND PAPERS

CHI/16/258 – FCHJU JIVE Business Case.

9. REPORT AUTHOR DETAILS

Yasa Ratnayeke
Senior Partnerships, Performance & Funding Officer
yratnayeke@aberdeencity.gov.uk
(01224) 523807

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ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy and Resources
DATE	9 th March 2017
DIRECTOR	Bernadette Marjoram
TITLE OF REPORT	Kingswells Bus Services
REPORT NUMBER	CHI/17/057
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to advise Members on the current position regarding bus services for the Kingswells area and to identify options for ensuring continued public transport provision in the area.

2. RECOMMENDATION(S)

It is recommended that the Committee:

(a) Approve the amendment of the Crematorium Bus Service 94 to provide a shuttle service connecting Kingswells Village with Kingswells Park and Ride; and

(b)

[REDACTED]; and

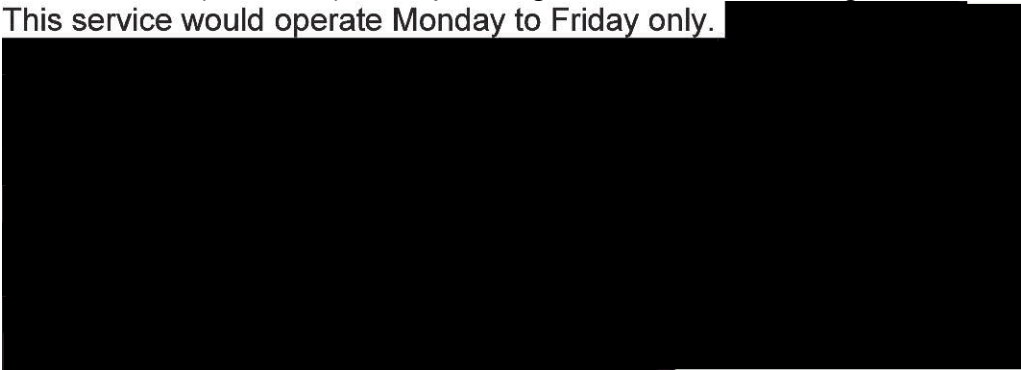
(c) Request Officers to further investigate options for providing bus services in Kingswells and report to the appropriate committee to provide an update and/or to seek approval for service provision.

3. FINANCIAL IMPLICATIONS

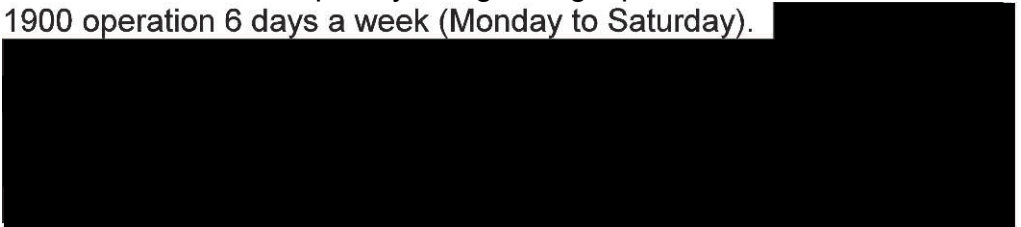
- 3.1 As no commercial operator is planning to operate services in Kingswells village commercially from April 2017. The Council is required to consider what provision will be required in the area and if the Council should provide such a service. [REDACTED]
[REDACTED], depending what may be offered, particularly given there is a considerable passenger base in the area. Officers have investigated 3 options at this time:

- Operating an amended Service 94, Crematorium bus service, which currently operates under contract to the Council.
- Supported shuttle bus service between Kingswells Village and Kingswells Park and Ride (P&R).
- Support to an operator to encompass Kingswells within an existing commercial service.

3.2 Officers have worked on an amended Service 94 timetable, this would utilise the existing bus to provide a shuttle around Kingswells in the morning and afternoon peak with off-peak services operating to the Crematorium (from ARI) and operating a shuttle around Kingswells. This service would operate Monday to Friday only.



3.3 Officers have also investigated the option of a standalone shuttle bus service operating around the village linking into services at the P&R site with the operator providing through ticketing. The operation would be on a 30 minute frequency using a single peak vehicle on a 0700 to 1900 operation 6 days a week (Monday to Saturday).



3.4 Officers have also investigated the options of amending an existing commercial bus service to service Kingswells village.



4. OTHER IMPLICATIONS

4.1 Local Transport Authorities have a duty under sections 63-64 of the Transport Act 1985 to secure the provision of necessary public

transport in its area that it deems would not be provided except by action taken by the Council.

In considering the transport for an area the Council will give consideration to provide a minimum level of service taking into account the financial resources at its disposal and value for money as indicated by cost/demand relationships. In determining priorities for subsidised service provision, the Council will have regard to:

- Minimum level of service defined by population (e.g. an area of population more than 4000, we would aim to ensure there is at least an hourly service).
- Application of maximum walking distances i.e. that in urban areas, all properties are within 400m walk to a bus service.
- Access is available to appropriate facilities, i.e. shopping facilities, GP practice etc. (this does not need to be local, alternative facilities would meet the required need).
- Priority Trip purpose – i.e. Work, Education, Shopping, Health etc.
- Consideration may also be given to specific social needs within particular communities.

- 4.2 Under the Local Transport Strategy the Council has committed to increase public transport patronage by making bus travel an attractive option to all users and competitive with the car in terms of speed and cost. In order to achieve this there is a commitment to review the provision of bus services to ensure existing services meet peoples' needs, and where necessary consider provision of supported services where these are deemed socially necessary.

5. BACKGROUND/MAIN ISSUES

5.1 Background

- 5.1.1 First Aberdeen currently operates the bus service x40 between Dubford and Kingswells via Bridge of Don P&C, Union Street, Westburn Road and Kingswells P&R. This service operates up to every 15 minutes in peak times and every 30 minutes off-peak, Monday to Saturday. This is the main bus service for Kingswells Village during the daytime.

First Aberdeen operates a variation to the service 11 in evenings Monday to Saturdays and Sundays to operate from Northfield to Kingswells, via Woodend. This is the main bus service for Kingswells Village during the evening and Sundays

- 5.1.2 On Friday 26th August 2016, First Aberdeen indicated to Officers their intention to withdraw services x40 and 11 from Kingswells Village, with a likely timescale of Christmas 2016. The reasons provided by First Aberdeen were that the existing patronage levels are not sufficient to offset the costs for running the service. First Aberdeen noted the distance required to travel to access Kingswells and to route around the village took considerable time and therefore required considerable levels of resource which comes at a cost that can no longer be sustained.

First Aberdeen formally wrote to the Council on Tuesday 6th September to advise their intention to withdraw services from Kingswells following which the matter was disclosed in the public domain.

- 5.1.3 Officers have been collating and responding to feedback from residents to date and have shared feedback received with First Aberdeen and other bus operators in the area, namely Stagecoach North Scotland. Officers in conjunction with First Aberdeen engaged with the community over two public drop-in sessions in Kingswells during October 2016.

- 5.1.4 The Chief Executive wrote to First Aberdeen on the 23rd September requesting that they reconsider their position with regards to the withdrawal of services, in recognising the importance of bus services for the community of Kingswells.

The Chief Executive also wrote to the Minister for Transport and the Islands, Humza Yousaf MSP, on the 23rd September 2016 requesting an urgent meeting to discuss the provision of local bus services in Aberdeen. A response is awaited.

In addition the Chief Executive wrote to the chair of the Disability Equity Partnership, Dame Anne Begg, on the 30th September 2016, asking this group for information on how the withdrawal of bus services affect those with disabilities and seeks their support in any meeting involving the Minister for Transport and the Islands.

Members will be aware of Mr Yousaf MSP's recent announcement of a Scottish Transport Bill, which follows on from the UK Bus Services Bill going through Westminster. To paraphrase he advised that the bill: a) would enable councils to establish "Lothian Buses-style municipal bus companies"; b) facilitate public versus private bidding wars for newly-franchised routes; c) help save important but unprofitable local services by allowing councils to bundle them up with more popular routes in franchise deals; and d) require operators to publish standardised information on fares, timetables and punctuality."

- 5.1.5 Following the consultation events and feedback provided to First Aberdeen officers and Elected Members have met with First Aberdeen on numerous occasions to discuss the next steps. First noted that following consultations there was nothing further suggested that they feel could be undertaken to make the service viable, other than financial support to retain the service, which was not an option the Council could proceed with.
- 5.1.6 As a consequence, First Aberdeen has formally lodged a withdrawal registration with Aberdeen City Council and the Traffic Commissioner for service X40 between ARI and Kingswells and service 11 between Woodend and Kingswells and with effect of Sunday 2nd April 2017.
- 5.1.7 Officers have met with Stagecoach North Scotland on numerous occasions to discuss the service withdrawal. Stagecoach had initially indicated that they would be interested in operating a service in the area and did provide a number of options. However Stagecoach has since advised they will not be in a position to provide a service to the area. Stagecoach are however currently consulting on service changes to be implemented from the 1st May 2017 and these do include the provision of a service around Kingswells Village on a service operating between Elrick and ARI. This however operates only a handful of services a day in the off-peak only, which would be of no benefit to the vast majority of bus users in Kingswells who travel inbound in the morning peak.
- 5.1.8 The result of the withdrawal will mean Kingswells village will have no bus services operating around it, leaving only services operating from the P&C site which for some residents would result in up to a 1.5 mile walk to their nearest bus service. Kingswells has long been an area of concern as we know patronage is low. The village itself does not perform overly well, although there are still valuable levels of bus use. Officers have been reviewing passenger data which indicates there are in the region of 900 passengers travelling from Kingswells into Aberdeen every week and it is assumed that a reflective number are

also travelling outbound from Aberdeen to Kingswells every week. There are significant passenger numbers during peak hours.

5.2 Bus Service Options

- 5.2.1 As no operator has stepped in to provide a commercial service the Council needs to consider whether a [REDACTED] service should be provided following the aforementioned criteria. Officer recommendation would be that a service should be introduced.
- 5.2.2 Feedback from residents has indicated that they feel a minimum half hourly daytime service Monday to Saturday would meet their needs and less frequent services in the evenings and on Sundays would be acceptable. Residents have also advised that a shuttle service around the village which links in with services at the P&R would also be acceptable, provided this operated frequently and didn't result in 2 fares requiring to be paid.
- 5.2.3 There are a number of options available for providing supported services which include:

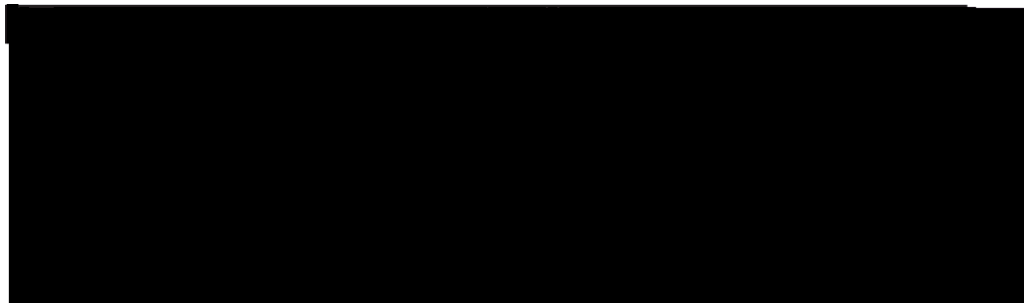
- [REDACTED] standalone service - service between Kingswells and City Centre. This would likely be on an hourly basis in line with aforementioned criteria. [REDACTED]
- [REDACTED] Kingswells shuttle service - service operating around the village linking in with [REDACTED] services operating from the P&R site. This could operate on an approximate 30 minute service and would allow passengers to connect with the high frequency services operating from the P&R site. Consideration would need to be given to through ticketing so that passengers did not have to pay twice. [REDACTED]

[REDACTED] amend an existing commercial bus service to serve Kingswells – This would be to provide [REDACTED] journeys to Kingswells on an existing bus service. This would depend on operator's willingness [REDACTED] for such a service [REDACTED]

Officers have worked on some of the above options and explored these further with bus operators to get an indication of what would be viable [REDACTED].

5.2.4 Amended Service 94 to provide a Crematorium bus service and a Kingswells shuttle service:

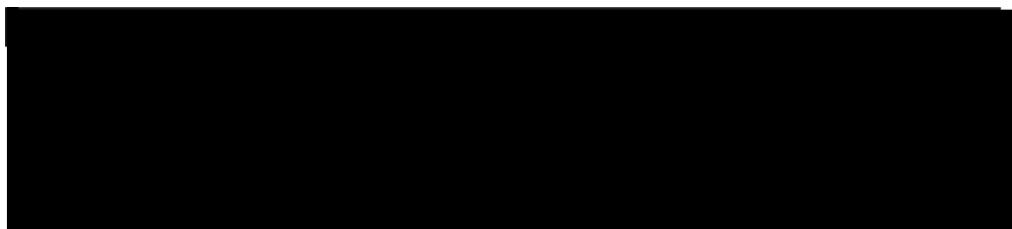
- Officers have worked on an amended timetable for the Service 94, Crematorium Bus Service. This would utilise the existing bus to provide a shuttle around Kingswells into/out of the P&R along with operating to the Crematorium (from ARI) between 09:00 – 16:30 and operating a shuttle around Kingswells into/out of the P&R between 06:30 – 08:33 and 16:40 – 19:03. This would operate Monday to Friday only. This service would provide connections between the village and the P&R every 15-20 minutes in the peak times and every 60-75 minutes in the off-peak. A copy of the draft timetable is appended to this report in Appendix 1.



- With this service there is the option to provide passengers with free transport around Kingswells to the P&R, meaning they do not have to pay for the shuttle and onward transport. If the existing service 94 fares were charged

[Redacted]
[Redacted] The current fares are as follows:

- Adult Single: £0.70 | Adult Return: £1.00
- Child Single: £0.35 | Child Return: £0.50



- This option would leave the village with no evening, Saturday or Sunday service with the nearest alternative services being available at the P&R



5.2.5 Kingswells to P&R Stagecoach Operated Shuttle service:

- Officers have also investigated the option of a standalone shuttle bus service operating around the village linking into the Stagecoach X17 service at the P&R site with the operator providing through ticketing. [REDACTED]

[REDACTED] The operation would be on a 30 minute frequency using a single peak vehicle on a 0700 to 1900 operation 6 days a week (Monday to Saturday). [REDACTED]

[REDACTED]

[REDACTED] This option would leave the village with no evening or Sunday service with the nearest alternative services being available at the P&R site [REDACTED]

5.2.6 Augmented commercial bus service:

[REDACTED] Officers have also investigated the options of amending an existing commercial bus service to service Kingswells village. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] This option would provide the village with the most convenient service and has potential to allow growth, [REDACTED]

[REDACTED]

5.3 Conclusion

- 5.3.1 There is an option to provide a bus service almost immediately [REDACTED] by amending the service 94 and this would meet the majority of needs for the community. It is therefore recommended that this is introduced without a fare being charged.
- 5.3.2 It is recommended that Officers continue to explore options [REDACTED] to identify the most viable options [REDACTED] and for these to be presented to a future committee to allow a full decision to be made [REDACTED]

6. IMPACT

Improving Customer Experience –

Transport affects every individual in Aberdeen and by ensuring the public transport network covers the City appropriately assists in meeting customer expectations and ensures services meet the needs of customers.

Improving Staff Experience –

These services will allow staff to deliver on their duty to provide socially necessary bus services.

Improving our use of Resources –

A consistent approach to delivery of public transport in the City will ensure that local environmental factors, changing priorities and customer needs are considered as well as available budgets are taken into account on a reviewed basis

Corporate -

The operation of bus services links to the Community Plan vision of creating a *sustainable City with an integrated transport system that is accessible to all*.

The Smarter City document sets out that we will provide and promote a sustainable transport system, which reduces our carbon emissions and that we will work with our partners to seek to reduce the levels of inequality in the city.

The actions in the Action and Delivery Plan assist in the delivery of actions identified in the Single Outcome Agreement (SOA) 2013, in particular the Thematic Priority – Older People (*Older people in Aberdeen have increased independence*) and the Multi-lateral Priority – Integrated Transport (Aberdeen is easy to access and move around in) and the Underlying Principle – (A presumption for community based access to services (Services are accessible to all citizens in the ways which meet their needs)

The provision of bus services will assist delivery of the 5 year Corporate Business Plan, in particular the Community, Housing & Infrastructure Directorate's aims to support the delivery of a fully integrated transport network.

Public –

The proposals contained within the report are intended to ensure there is operation of appropriate transport services for the communities detailed. This report will be of interest to the public as the citizens of Aberdeen have a vested interest in the public transport network and accessibility to services.

An Equality and Human Rights Impact Assessment (EHRIA) has not been completed, as all aspects were considered as part of the Local Transport Strategy.

7. MANAGEMENT OF RISK

- 7.1 There is a high risk that [REDACTED] there will be no bus service for Kingswells. This will significantly impact residents, particularly in their ability to attend work, education, social activities and healthcare, and in some cases will result in social isolation.

7.2

[REDACTED]

- 7.3 There is a medium risk of adverse publicity and reputé for the Council if a supported bus service is not introduced or if residents do not feel the services are sufficient. We will ensure any decision is managed through our communications team and details are fully set out with regards to the reasoning for any decision and ensure officers continue to engage with the community and work in collaboration.

- 7.4 It is envisaged that in the medium term the wider situation requires to be resolved satisfactorily, most likely within a new legislative framework introduced by the Scottish Transport Bill. Members should be aware that there are potential risks in effectively subsidising bus services without proper consideration of and strict adherence to the legislation, albeit it is understood that in these emergency circumstances the Committee may consider it necessary to take action in order to quickly put in place a short term solution.

8. BACKGROUND PAPERS

N/A

8. REPORT AUTHOR DETAILS

Chris Cormack, Team Leader, Public Transport Unit,
ccormack@aberdeencity.gov.uk, 01224 523762

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