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SECOND ADDITIONAL CIRCULATION



To: All Members of the Council

Town House,
ABERDEEN, 7 December 2017

COUNCIL

The undernoted items are circulated in connection with the meeting of the **COUNCIL** to be held here in the Town House on **MONDAY, 11 DECEMBER 2017 at 10.30am.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

B U S I N E S S

REFERRALS FROM COMMITTEES

- 7(b) Treasury Management Policy and Strategy - Mid-Year Review - CG/17/127 - referred by Finance, Policy and Resources Committee of 1 December 2017 (Pages 3 - 6)

The Finance, Policy and Resources Committee approved the recommendations contained within the report

- 7(c) Year of Young People Cultural Award Programme - ECS/17/071 - referred by Finance, Policy and Resources Committee of 6 December 2017 (Pages 7 - 14)

GENERAL BUSINESS

- 9(a) Target Operating Model - OCE/17/024 (Pages 15 - 16)
Addendum to the report

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ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy and Resources
DATE	1 December 2017
REPORT TITLE	Treasury Management Policy and Strategy – Mid-Year Review
REPORT NUMBER	CG/17/127
LEAD OFFICER	Steven Whyte, Head of Finance
REPORT AUTHOR	Neil Stewart

1. PURPOSE OF REPORT:-

- 1.1 To update the Committee on Treasury Management activities undertaken to date during financial year 2017/18.

2. RECOMMENDATION(S)

- 2.1 That the Committee:-

- (a) Consider and note the Treasury Management activities undertaken in the 2017/18 financial year as detailed in this report.
- (b) Refer this report to Council with a recommendation to note the Treasury Management activities undertaken to date in the 2017/18 financial year.

3. BACKGROUND/MAIN ISSUES

Introduction

- 3.1 The Council approved a Treasury Management policy for the financial years of 2017/18 to 2019/20 on 16 February 2017. Part of this policy is to report a mid-year review to committee on Treasury Management activities undertaken during the financial year 2017/18.
- 3.2 Historically, the Council's annual programme of capital investment has been funded by Treasury Management activities, such as additional long term borrowing. It is a requirement of CIPFA "Code of Practice for Treasury Management in the Public Services" that Treasury Management is carried out in accordance with good professional practice, which this Council does.

Treasury Management 2017/18

- 3.3 The following is a summary of Treasury Management activities which have been undertaken thus far in 2017/18: -

3.3.1 Long Term Borrowing

No long-term borrowing has been undertaken so far in this financial year. A PWLB loan for £10m matured on the 15th May 2017. This loan has not been replaced.

- 3.3.2 There are no plans for any long term borrowing this year, due to funds remaining from last year's Bond Issuance. We will monitor this situation throughout the remaining part of the financial year. We remain open to the possibility of undertaking some longer-term borrowing in the next financial year, should market conditions be favourable.

3.3.3 Short Term Borrowing

Similarly, there is also no requirement for any short term borrowing this year, due to funds remaining from last year's Bond Issuance. We will monitor this situation throughout the remaining part of the financial year.

3.3.4 Investments

At the time of writing, the Council has c£240m of Temporary Investments, largely being the remaining proceeds from last year's Bond Issuance. These funds will continue to reduce over the next 6 months or so, as capital programme work progresses.

- 3.3.5 A review of the Council's Counterparty list was undertaken and this was approved by Committee on 9 March 2017. These changes were in line with recommendations by Capita, the Council's appointed Treasury Management advisors, and have provided additional options for the Council's investments.

3.3.6 Money Market Funds

Money Market Funds are AAA rated, short term pooled investment vehicles. They offer security, counterparty diversification and instant access to funds, when required.

- 3.3.7 The Council now has nine Money Market Fund accounts opened, each with a £50m limit. These Money Market Fund accounts have greatly assisted the Council in spreading its Counterparty risk and also improve short-term cashflow liquidity.

3.3.8 Credit Rating

On 22nd September, Moody's downgraded the UK's long-term issuer rating to Aa2 from Aa1 and improved the outlook from negative to stable. Following this, and in-line with the sovereign rating, Moody's downgraded the rating for Aberdeen City Council and improved the outlook to stable from negative.

- 3.3.9 As part of its annual review, Aberdeen City Council officers met with Moody's analysts on 13th October. There is a separate report on today's agenda covering the outcome of the annual review.

3.3.10 MIFID II

New changes to investment regulations come into force from January 2018, called the Markets in Financial Instruments Directive (MIFID II).

- 3.3.11 The most significant part of MIFID II requires the Council to change its status from a 'Retail' investor to a 'Professional' investor. As the Council qualifies for the 'Professional' category due to the frequency, value and complexity of its investments, there is no choice but to 'opt-up'. This change impacts positively on the classes of assets and instruments that can be used by the Council, but impacts slightly negatively on the level of investor protection offered.

4. FINANCIAL IMPLICATIONS

- 4.1 Treasury Management activities influence the loans pool interest rates and aims to minimise the cost of borrowing. This directly impacts on costs chargeable to the Council's revenue budgets through the interest rates that are applied to capital financing costs. Whilst the level of borrowing a Council can undertake is now devolved from the Scottish Government to individual Councils, it will still be constrained by the requirement for capital investment to be affordable, sustainable and prudent. The main test of affordability will be whether the capital financing costs can be contained within the revenue budgets.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

Financial

- 6.1 The CIPFA Code of Practice states that in the use of financial instruments for the prudent management of risk, priority must be given to security and liquidity, when investing funds.

Other

- 6.2 Consideration has also been given to Employee, Customer / Citizen, Environmental, Technological, Legal and Reputational risks, and no risks were identified.

7. IMPACT SECTION

Economy

- 7.1 The strategy of using cost-effective short-term borrowing to help reduce the Council's financing costs demonstrates a pro-active approach, which will use the Council's resources more effectively.
- 7.2 If an active Treasury Management policy is not undertaken and implemented there may be future budgetary implications for the Council through greater than budgeted capital financing costs.

People

- 7.3 No direct impact arising from this report.

Place

- 7.4 No direct impact arising from this report.

Technology

- 7.5 No direct impact arising from this report.

8. BACKGROUND PAPERS

- 8.1 CIPFA "Code of Practice for Treasury Management in the Public Services"; Capita Asset Services "Treasury Management Annual Investment Strategy"; Scottish Government "The Investment of Money by Scottish Local Authorities".

9. APPENDICES (if applicable)

- 9.1 There are no appendices to the report.

10. REPORT AUTHOR DETAILS

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FINANCE, POLICY AND RESOURCES COMMITTEE

06 December 2017

DECLARATION OF INTEREST

Councillor Donnelly declared an interest in relation to the following item of business by virtue of him being a member of the Aberdeen International Youth Festival, he considered that the nature of his business required him to leave the meeting and he took no further part in the Committee's deliberations thereon. Councillor Lesley Dunbar substituted for Councillor Donnelly.

YEAR OF YOUNG PEOPLE CULTURAL AWARD PROGRAMME – ECS/17/071

1. The Committee had before it a report by the Director of Education and Children's Services, which sought approval to commit £100,000 for a Year of Young People funding Award Programme for the financial year 2018/19 for groups and organisations to apply for funding for the delivery of youth led cultural projects and events in Aberdeen to celebrate the Year of Young People in 2018.

The report recommended:-

that the Committee approve a sum of £100,000 from contingencies or reserves for a Year of Young People Cultural Award Programme for the financial year 2018/19.

The Convener, seconded by Councillor Houghton moved:-

that the Committee approve a sum of £100,000 from contingencies or reserves within the Council's 2017/18 budget for a Year of Young People Cultural Award Programme to be made available from 1 January 2018 to coincide with the event.

Councillor Nicoll, seconded by Councillor Yuill moved as an amendment:-
that the Committee:-

- (1) note that the Aberdeen International Youth Festival (AIYF) has been an important part of Aberdeen's cultural offering for many years;
- (2) note the long term relationship that exists between Aberdeen City Council and Aberdeen International Youth Festival and the importance of maintaining the good brand name of the organisation and the close cultural aspirations of both organisations that have promoted many decades of local, national and international acclaim;
- (3) recognise that AIYF faces substantial reorganisation in the transition to operate as a Scottish Charitable Incorporated Organisation (SCIO) to assist in improving the governance and delivery of the organisation's ambitious aspirations for the future;
- (4) note the AIYF draft Business Plan and additional documents submitted to the Head of Education and Inclusion on the 29th September and asks that a final Business Plan, taking account of the above, is re-

- submitted to the Head of Education and Inclusion once approved by the AIYF Board of Trustees;
- (5) note that the committee is supportive of continued funding being made available to AIYF as part of the budget setting process for the year 2018/19 in the sum of £100,000 in order to assist the organisation to transition to a SCIO and seek alternative funding streams that will ensure their continued success on a self- sufficient model;
 - (6) note that the Committee is supportive of continued funding being made available to AIYF as part of the Budget setting process for the year 2019/20 in the sum of £75,000 for the reason outlined at 5 above;
 - (7) recognise that AIYF must move to a position where it does not rely on funding from the council to support its core activities;
 - (8) should the Chief Executive of AIYF be agreeable, invite them to a future meeting of the Finance Policy and Resources Committee in order that they may provide feedback of the completed transformation of the organisation; and
 - (9) approve a sum of £100,000 from contingencies or reserves for a Year of Young People Cultural Award Programme for the calendar year 2018.

On a division, there voted:- for the motion (9) – the Convener, the Vice Convener and Councillors Lesley Dunbar, Houghton, John, Laing, Macdonald, Reynolds and Wheeler; for the amendment (8) – Councillors Cameron, Flynn, Hutchison, Catriona MacKenzie, MacLellan, Nicoll, Townson and Yuill.

The Committee resolved:-
to adopt the motion.

In terms of Standing Order 31.1, Councillor Yuill intimated that he would like this matter to be referred to full Council in order for a final decision to be taken. Councillor Yuill was supported by Councillors Cameron, Flynn, Hutchison, Catriona MacKenzie, MacLellan, Nicoll and Townson.

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy & Resources
DATE	1 st December 2017
REPORT TITLE	Year of Young People Cultural Award Programme
REPORT NUMBER	ECS/17/071
DIRECTOR	Gayle Gorman
REPORT AUTHOR	Fiona Clark

1. PURPOSE OF REPORT:-

- 1.1 The purpose of this report is to seek approval from Committee to commit £100,000 for a Year of Young People funding Award Programme for the financial year 2018/19 for groups and organisations to apply for funding for the delivery of youth led cultural projects and events in Aberdeen to celebrate the Year of Young People in 2018.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
- a) Approve a sum of £100,000 from contingencies or reserves for a Year of Young People Cultural Award Programme for the financial year 2018/19.

3. BACKGROUND/MAIN ISSUES / OTHER HEADINGS AS APPROPRIATE

- 3.1 At their meeting of 16th November Education & Children's Services Committee reviewed an updated Business Plan for 2017 - 2020 and various other documents submitted by Aberdeen International Youth Festival (AIYF). This followed the request made by Council at their meeting on 21st June 2017 to submit a detailed and comprehensive business plan including steps and detailed time line for transitioning to a SCIO.
- 3.2 At the above meeting committee agreed the following:

- (i) to note that the Committee was not supportive of funding being allocated to Aberdeen International Youth Festival as part of the financial year 18/19 budget setting process;
- (ii) to note that the Committee was supportive of funding of £100,000 from contingencies or reserves being approved by the Finance, Policy and Resources Committee at its meeting to be held on 1 December 2017 for a Year of Young People funding Award Programme for the financial year 18/19 for groups and organisations to apply for funding for the delivery of youth led cultural projects and events in Aberdeen to celebrate the Year of Young People;
- (iii) subject to the funding being approved by the Finance, Policy and Resources Committee on 1 December 2017:
 - 1. to instruct the Head of Education and Inclusion, following consultation with the Head of Finance, to set up a Year of Young People funding Award Programme for the financial year 18/19 for groups and organisations to apply for funding for the delivery of youth led cultural projects and events in Aberdeen to celebrate the Year of Young People;
 - 2. delegate authority to the Head of Education and Inclusion, following consultation with the Convener and Vice Convener of the Education and Children's Services Committee, to set the criteria for the awarding of funding from the Award Programme;
 - 3. delegate authority to the Head of Education and Inclusion to review and allocate the awards accordingly;
- (iv) subject to approval of recommendation (ii), to refer the approved recommendations in the report together with appropriate background detail by way of a report to the Finance, Policy and Resources Committee at its meeting be held on 1 December for consideration of funding allocation for the Award Programme, with the recommendation that (1) a sum of £100,000 from contingencies or reserves be allocated to the Award Programme for a one year period; and (2) the Head of Finance be delegated the power to account for this funding as appropriate; and
- (v) to instruct the Head of Finance and Head of Education and Inclusion to report to the Finance, Policy and Resources Committee on 1 December 2017 as part of the report approved at (iv) above detailing all of the in-kind support and non-core funding provided to Aberdeen International Youth Festival.

3.3 Information detailing the total support both financial and in kind given to Aberdeen International Festival is contained in the Appendix to this report . (see Appendix 1)

4. FINANCIAL IMPLICATIONS

4.1 The establishment of a Year of Young People Award Programme will be for 2018/19 only in recognition of the Year of Young People 2018.

5. LEGAL IMPLICATIONS

- 5.1 Legal Services will be required to help scope and agree the conditions of grant awards from the funding award programme for the Year of Young People.

6. MANAGEMENT OF RISK

- 6.1 The following risks and mitigations have been identified:
- 6.2 **Financial** – this report considers the risk attached to funding given to External Cultural organisations and the need to ensure value for the City Council's investment. – medium.
- 6.3 **Employee**- none – N/A.
- 6.4 **Customer/citizen** – with the focus on young people it is important that young people are fully involved in the development of funding bids, programming of events and activities and involved in the award process – medium.
- 6.5 **Environmental** - none – N/A
- 6.6 **Technological** – none – N/A.
- 6.7 **Legal** – conditions of grant for funding programme for the Year of Young People to be drafted as per agreed criteria. -low
- 6.8 **Reputational** – through the 365 Events programme, an in addition with the City Cultural Strategy, the Council has established a framework for the City of Aberdeen, through which to deliver high quality, ambitious and sustainable cultural offer. The Year of Young People Award funding programme will give young people in the city the opportunity to be directly involved in shaping the programme of events and activities throughout 2018 – medium

7. IMPACT SECTION

Economy

- 7.1 Cultural events and activities as part of a celebration of Year of Young People have the potential to attract local and visiting families whether in the city centre or across the city in the wider communities. There is also the potential for opportunities for artists and creatives to work in the city helping to retain talent. .

People

- 7.2 The aim is to offer opportunities which will have a positive impact on our young people, offering them opportunities to engage with, and participate in cultural and creative activities. The current work on the development of a tool

kit to evaluate impacts will assist in evaluating projects and activities to inform future work and assist the Council and grant recipients to understand the impacts of their work

Place

- 7.3 The Year of Young People Award programme has the potential for community cohesion and resilience. Young people will be encouraged to engage with the international visitors on collaboration, enabling relationships to be developed.

Technology

- 7.4 In particular the use of social media to engage local people in the planning and delivery of events and activities, and to provide opportunity to engage in collective sharing of their experiences, will be actively encouraged.

8. BACKGROUND PAPERS

Council Report – 16th November 2017: Aberdeen International Youth Festival updated Business plan 2017-2020. – ECS/17/055

9. APPENDICES (if applicable)

Appendix 1 – Funding and support granted to AIYF

10. REPORT AUTHOR DETAILS

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Aberdeen International Youth Festival Funding

The following table shows the funding allocated to AIYF for the current and preceding financial years.

		<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
<u>Direct Funding</u>		<u>£</u>	<u>£</u>	<u>£</u>
Common Good - Annual Funding		85,000	65,000	65,000
Common Good - Mary Garden Prize		1,500	1,500	1,500
Common Good - Aberdeen Mela		-	-	20,000
Common Good - Twinning Grants		-	-	-
Culture Budgets - Annual Funding		57,393	77,393	62,653
Sponsorship - Accord Card		1,750	900	-
Creative Funding grant		3,045	5,000	-
Internship support grant		-	1,000	-
		148,688	150,793	149,153
<u>Indirect Funding/Subsidy</u>				
Finance/Legal Staffing Subsidy		18,400	19,470	18,990
Total AIYF Funding		167,088	170,263	168,143

Note

1 There is a subsidy in terms of AIYF's use of 17B Belmont Street, but this is difficult to quantify due to the multiple occupancy of various parts of the building.

2 The council has guaranteed any pension liability in the event AIYF were to cease and be unable to meet this liability.

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Addendum to Council Report - Item 9a Target Operating Model - Appendix D

Job Profile - Chief Officer Digital and Technology

The reporting relationships section of the Chief Officer Digital and Technology job profile currently reads:

Reporting directly to the Director of Resources.

The ICT Manager will play an intrinsic part of the extended Corporate Management Team and will ensure excellent working relationships with all appropriate stakeholders including other functional areas, elected members, trade union representatives, employees and ACC ALEOs.

The correct wording should be:

*Reporting directly to the Director of **Customer**.*

*The **Chief Officer Digital and Technology** will play an intrinsic part of the extended Corporate Management Team and will ensure excellent working relationships with all appropriate stakeholders including other functional areas, elected members, trade union representatives, employees and ACC ALEOs.*

Job Profile - Chief Officer Corporate Landlord

The wording of “Lead for the Corporate Health and Safety service” will be removed from the Chief Officer Corporate Landlord job profile.

Recommendation in the report

To incorporate the above, recommendation iv. of Item 9a Target Operating Model has been amended as below:

- iv approve the proposed Tier 2 Chief Officer posts, related Job Profiles and salary levels, as detailed in Appendix D and the addendum to the report;

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