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## ADDITIONAL CIRCULATION



To: All Members of the Council

Town House,  
ABERDEEN, 5 March 2018

## **COUNCIL BUDGET MEETING**

The undernoted items are circulated in connection with the meeting of the **COUNCIL** to be held here in the Town House on **TUESDAY, 6 MARCH 2018 at 2.00pm.**

FRASER BELL  
HEAD OF LEGAL AND DEMOCRATIC SERVICES

### **BUSINESS**

#### **GENERAL BUSINESS**

- 4 General Fund Revenue Budget 2018/19 to 2022/23 and General Fund Capital Programme 2018/19 to 2022/23 - CG/18/032 (Pages 3 - 6)

**Replacement page 17 which contains an amended figure for Sport Aberdeen for 2018/19. Revised version of Appendix 2 also circulated.**

Website Address: [www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk)

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- 3.56 Options identified to mitigate this deficit are detailed in Appendix 5 and are summarised as follows:
- Fees & Charges - £1.638 million
  - Council Tax - £3.389 million
- 3.57 The use of these options will move the 2018/19 budget to a surplus of £0.144 million.

### **Items not included in the revenue budget**

- 3.58 Appendix 6 provides details of items which have not been included in the above 2018/19 budget figures. These items, totalling £0.541 million, relate to items referred to the budget process from committees.
- 3.59 Should Council wish to accept all or some of these items into the 2018/19 budget, identification of further savings options will be required to allow this, such that the overall budget position is balanced, as is required by statute.

### **Group Accounts – Subsidiaries and Joint Ventures**

- 3.60 The Council has a number of subsidiaries and joint ventures, with the most significant being Bon Accord Care and Sport Aberdeen (Subsidiaries) and Aberdeen Sports Village and the Integration Joint Board (Joint Ventures).
- 3.61 Whilst the organisations above are responsible for service delivery, the Council provides significant funding to them and therefore remains responsible for ensuring that public funds are used properly and demonstrate best value. The Council has set up governance arrangements with these bodies which ultimately provides assurance to the Audit, Risk & Scrutiny Committee.
- 3.62 It is worth noting that the credit rating agency are particularly interested in the bodies within the Council’s group structure and their ability to impact on the underlying borrowing requirement of the Council.
- 3.63 The table below provides details of the funding levels included in the 2018/19 budget:

	<b>Funding 2017/18</b>	<b>Funding 2018/19</b>	<b>Note</b>
Bon Accord Care	26.29m	26.98m	1
<b>Sport Aberdeen</b>	<b>5.35m</b>	<b>5.35m</b>	
Aberdeen Sports Village	1.02m	1.02m	
Integration Joint Board (IJB)	83.30m	84.99m	2

### **Notes**

1. Bon Accord Care is funded by the Integration Joint Board, which is required to indicate the value of the services to be provided through the contract and it therefore included for information only (note these figures excludes Kingsmead monies as this matter is still being pursued).
2. These figures include funding to Bon Accord Care as per the arrangement described above. Further information on the IJB is provided below.

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**APPENDIX 2  
ABERDEEN CITY COUNCIL  
2017/18 to 2022/23**

**THE PRUDENTIAL CODE  
For Capital Finance in Local Authorities**

From 1 April 2004, Councils are required by Regulation to have regard to the Prudential Code (the Code) when carrying out their duties under Part 7 of the Local Government in Scotland Act 2003.

In setting the revenue and capital budgets, members will be aware that under the Prudential Code, the level of capital investment is determined locally. Therefore, these indicators will be reviewed on an ongoing basis to ensure that the Council does not breach the indicators it sets.

The key objectives of the Code are to ensure:-

- The Council's capital programmes are affordable, prudent and sustainable.
- Treasury management decisions are taken in accordance with good professional practice.

The Code also has the objectives of being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal.

In setting the indicators, cognisance should be paid to the level of capital investment looking ahead for a three year period, for both the housing and non-housing capital programmes that the Council wishes to embark upon. The Code also requires that the underlying requirement to finance PPP projects and finance leases be included when setting the indicators.

The Code requires the following Prudential Indicators are set for the Council:-

	<b>Capital Expenditure</b>						
	<b>2016/17 £'000 Actual</b>	<b>2017/18 £'000 Estimate</b>	<b>2018/19 £'000 Estimate</b>	<b>2019/20 £'000 Estimate</b>	<b>2020/21 £'000 Estimate</b>	<b>2021/22 £'000 Estimate</b>	<b>2022/23 £'000 Estimate</b>
Non HRA	175,275	198,663	268,724	155,900	90,260	42,537	21,471
HRA	42,154	55,318	42,051	45,335	30,204	26,500	21,991

	<b>Ratio of Financing Costs to Net Revenue Stream</b>						
	<b>2016/17 Actual</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
Non HRA	5.7%	4.8%	7.4%	8.5%	9.1%	9.2%	9.2%
HRA	14.7%	17.2%	16.0%	17.0%	18.2%	18.1%	17.7%

	<b>Capital Financing Requirement</b>						
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Non HRA	578,193	713,745	912,923	1,010,136	1,031,118	1,000,014	969,093
HRA	272,091	298,705	312,866	327,757	326,379	319,391	305,886
<b>Total</b>	<b>850,284</b>	<b>1,012,450</b>	<b>1,225,789</b>	<b>1,337,893</b>	<b>1,357,497</b>	<b>1,319,405</b>	<b>1,274,979</b>

	<b>Gross Borrowing</b>						
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Borrowing	746,913	866,291	1,031,068	1,247,629	1,362,730	1,384,128	1,349,410

The Prudential Code states:

“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.”

The Head of Finance reports that the Council can meet this requirement in 2017/18, and it is expected to do so for the future years, as outlined, taking into account current commitments, existing plans, and the assumptions in this report.

	<b>Authorised Limit for External Debt</b>					
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operational Boundary	1,145,542	1,358,881	1,470,985	1,490,589	1,452,497	1,408,071
10% Margin	114,554	135,888	147,098	149,059	145,250	140,807
<b>Total</b>	<b>1,260,096</b>	<b>1,494,769</b>	<b>1,618,083</b>	<b>1,639,648</b>	<b>1,597,747</b>	<b>1,548,878</b>

	<b>Operational Boundary for External Debt</b>					
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing	1,044,569	1,261,130	1,376,231	1,397,629	1,362,911	1,321,676
Other Long Term Liabilities	100,973	97,751	94,754	92,960	89,586	86,395
<b>Total</b>	<b>1,145,542</b>	<b>1,358,881</b>	<b>1,470,985</b>	<b>1,490,589</b>	<b>1,452,497</b>	<b>1,408,071</b>