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To: All Members of the Council

Town House,  
ABERDEEN 1 February 2012

## COUNCIL BUDGET MEETING

The Members of the **COUNCIL** are requested to meet in Council Chamber - Town House on **THURSDAY, 9 FEBRUARY 2012 at 2.00 pm.**

JANE G. MACEACHRAN  
HEAD OF LEGAL AND DEMOCRATIC SERVICES

### **B U S I N E S S**

- 1 Draft Housing Revenue Account (HRA) and Housing Capital Budget 2012/13 to 2013/14 - Report by Director of Corporate Governance (Pages 1 - 42)
- 2 North East Scotland Pension Fund 2012/13 - Report by Director of Corporate Governance (Pages 43 - 64)
- 3 Common Good Budget 2012/13 to 2014/15 - Report by Director of Corporate Governance (Pages 65 - 78)
- 4 Non Housing Capital Programme 2012/13 - 2014/15 Budgets - Report by Director of Corporate Governance (Pages 79 - 92)
- 5 General Fund Revenue Budget 2012/13 and Indicative 2013/14 to 2014/15 Budget - Report by Director of Corporate Governance (Pages 93 - 218)
- 6 Prudential Indicators - Report by Director of Corporate Governance - to follow

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Council
DATE	9 February 2012
DIRECTOR	Stewart Carruth (Director of Corporate Governance); Pete Leonard (Director of Housing & Environment)
TITLE OF REPORT	Draft Housing Revenue Account (HRA) and Housing Capital Budget 2012/13 to 2013/14
REPORT NUMBER:	CG12/011

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### **1. PURPOSE OF REPORT**

- 1.1 To provide elected members with information to allow the setting of the rent level for the financial year 2012/13 as well as provisional rent levels for the financial years 2013/14 and 2014/15. In turn, this will allow a capital programme for 2012/13 as well as a provisional programme for 2013/14 and 2014/15.

### **2. RECOMMENDATION(S)**

It is recommended that the council consider the draft Housing Revenue Account and:

- a. Consider and determine any adjustments they may wish to make to the draft 2012/13 HRA and thereby;
- b. Determine the average weekly unrebated rents for municipal houses to take effect from Monday 2 April 2011 taking into consideration the Scottish Quality Standard Delivery Plan, the Council House New Build Programme, the outcomes of the 2002 Tenants Referendum and the annual rent consultation;
- c. Determine the level of revenue contribution to the Housing Capital budget for 2012/13 as well as a provisional contribution for the subsequent two financial years;
- d. Determine the level of working balances that should be retained to meet future contingencies;
- e. Determine the level of miscellaneous rents and service charges, including Heat with Rent;
- f. Agree to other adjustments Council may wish to make to the draft HRA for the financial years 2012/13 to 2014/15; and
- g. Set a capital programme for the financial year 2012/13 based on the rent strategy adopted as well as indicative level of programme for the financial years 2013/14 and 2014/15.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 Given this report is to set the HRA budget for 2012/13 the financial implications are contained within the report.

### **4. OTHER IMPLICATIONS**

- 4.1 Without adequate investment there is the possibility that the housing stock could fail to meet health and safety regulations as well as the Scottish Housing Quality Standard.

### **5. BACKGROUND/MAIN ISSUES**

- 5.1 The Council is required to give its tenants 28 days notice of any change in the level of rent. Further, the Housing (Scotland) Act 2001 requires the Council to consult with tenants on any proposed rent increase. This consultation was in the form of a tenant questionnaire on the possible rent increase.

- 5.2 The tenants were asked if the rent policy of inflation plus 1% should continue to maintain investment in the housing stock and improve services.

- 5.3 The results are shown on page 26 of Appendix 1. The number of tenants who responded and agreed a rent policy was 48% with 29% saying no and 23% don't know.

- 5.4 Schedule 15 of the Housing (Scotland) Act 1987 requires expenditure in the under noted main areas to be charged to the HRA:

- Capital Financing Costs in respect of monies borrowed for the purpose of providing and improving the Council's housing stock;
- Management, administration and maintenance of the Council's housing stock;
- Other expenditure such as loss of rents for vacant periods, insurance, communal lighting and heating, cleaning and security.

- 5.5 Items of income that must be credited to the HRA are:

- Council house rents;
- Other income attributable to the HRA. For example, income recovered from tenants for heating, interest on revenue balances and when available transfers from working balances generated by the HRA in previous years.

- 5.6 In the absence of any central or local authority financial support for the HRA, the HRA is regarded as “ring-fenced”. In addition, consideration of the level of capital to be financed from current revenue (CFCR) within the HRA budget will have an impact on the Housing Capital Budget. This report, therefore, whilst indicating a possible HRA budget also comments on the Capital Budget.
- 5.7 Consideration of the out-turn on the HRA for 2011/12 and the 2012/13 budget is dealt with in detail in Appendix 1. Based on the annual rent consultation and Council policy the budgeted figures have assumed a Council house rent increase of 6.3% (RPIX at November of 5.3% plus 1%). This equates to an average rental of £69.42 (for 48 weeks), in 2011/12 the average rental is £65.31 which results in an increase of £4.11 per week.
- 5.8 While this is in line with Council policy it is worth noting that at this time the economic climate within the United Kingdom is such that the UK economy continues to struggle to grow, with low confidence, relatively high inflation and high unemployment.
- 5.9 As the UK’s largest export partner, there is significant worry that the ongoing Eurozone uncertainty may have a further negative impact on the UK economy. Europe’s recent financial woes were summed up succinctly by one financial analyst who said “*The patient is in intensive care receiving treatment but the sickness is far from cured*”.
- 5.10 Uncertainty over the Eurozone’s stability continues to affect markets, with speculation increasing that this may eventually end with one or more country having to leave the Euro.
- 5.11 Given the UK Government’s attempts to resolve the economic position it is worth looking at the future projections for inflation in setting the rent increase for 2012/13:

FORECAST						
End period %	18 Jan 2012	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
RPI inflation	4.8	3.4	2.9	1.9	1.6	1.5
RPIX inflation	5.0	3.6	3.0	2.1	1.7	1.6
CPI inflation	4.2	3.1	2.5	1.4	1.1	0.9

Source – Sector Treasury Services – Forecasts (January 2012)

- 5.12 The above table indicates that while we are currently experiencing a relatively high level of inflation it can be seen that this is projected to fall over the coming months.

- 5.13 What the table demonstrates is that RPIX is currently at 5.0%. This is expected to fall by the end of the first quarter of 2012 to 3.6% and continue to fall thereafter. **To illustrate the impact of inflation on the HRA the overall HRA budget has additional cost pressures amounting to 4.4% between 2011/12 and 2012/13.**

The main reason for this increase is the continued level of investment required to achieve the SHQS. There are other factors but the level of CFCR accounts for the majority of this increase.

- 5.14 To put this into context a rent increase of 5.3% (instead of 6.3%) would only result in a loss of income of £700,000 which could be mitigated through an increase in 2013/14 of RPIX plus 2%, an increased level of borrowing, a reduced capital programme, use of working balances or a combination of these.

Given the level of pressure on the HRA is through the level of CFCR an alternative strategy could be proposed by setting a 3 year rent level with 6 monthly reviews. Given the HRA cost base increase is 4.4% a rent increase for the next 3 financial years of 4.4% per annum would leave the HRA in the same position as that attached in Appendix 1.

- 5.15 The reason for examining the future years is that the Council is now in the final stages of completing its 30 Year business plan which demonstrates the long term affordability of maintaining and improving the Council housing stock.
- 5.16 Any major deviances from the rent policy will impact the deliverability of this over the 30 year period. However, given the economic conditions that are facing Council tenants the model can be adapted to ease the level of rent increase for 2012/13.

#### **5.17 Capital Expenditure**

The draft budget for 2012/13 (and the subsequent two financial years) is attached as Appendix 1 of this report. This shows gross expenditure of £47 million financed through £23.1 million of borrowing and £18.6 million by way of a revenue contribution to fund the net programme of £41.8 million.

- 5.18 This reflects and includes a proposed rent increase of 6.3%. The details of the potential projects to be included in this programme are contained in Appendix 1 – pages 33 to 36.

#### **5.19 Miscellaneous Rents**

The budget attached in Appendix 1 also requires the miscellaneous rents and service charges to be set. As way of indication on possible increases, pages 20 to 24 gives indicative increases and decreases that the Council may wish to consider. **The Council will have to decide on any possible increment to these charges in line with their rent setting strategy.**

## 5.20 Working Balances

The Head of Finance must be confident that the level of working balances is adequate to meet any unforeseen contingencies during the financial year.

- 5.21 Based on the projected income and expenditure that is likely to be generated for 2012/13, this figure should be approximately £3.9 million.

	£'000
<b>MOVEMENT IN WORKING BALANCES</b>	
Working Balances as at 1 April 2011	6,682
Less: Ear marked sums:	(2,363)
Projected Working Balances as at 31 March 2012	<u>4,319</u>

- 5.22 In developing a rent setting policy it is important to ensure that there are adequate working balances and it is considered that these should be set at 5% of final gross expenditure.

Subject to final budget approvals minimum balances would be:

£3.920 million	As at 31 March 2013
£4.040 million	As at 31 March 2014
£4.160 million	As at 31 March 2015

## 5.23 Prudential Code

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

- 5.24 In setting a capital programme, members will be aware that under the Prudential Code, the level of capital investment is determined at a local authority level. The base programme for consideration, subject to final rent levels is £47.002 million. This is attached in Appendix 1 at pages 33 to 36.
- 5.25 As part of the rent setting process of determining the average rent payable for a Council house, the Council must ensure that this is affordable and sustainable over the long term.
- 5.26 The fundamental objective in the consideration of the affordability of the Council's capital programme is to ensure that the total capital investment of the authority remains within sustainable limits, and in particular to consider the impact on the "bottom line". That is, affordability is determined by a judgement about acceptable levels of rent.

**5.27 2013/14 to 2014/15 Budget**

Included within Appendix 1 is an indicative budget for 2013/14 and 2014/15 with an assumed rent increase of 3.5% and 3.5% respectively. There is also an analysis of the management and administration, the repairs and maintenance and capital budgets.

5.28 In setting a 3 year rent strategy, Council must pay cognisance to the level of capital investment required to maintain and improve the overall housing conditions available to the citizens of Aberdeen. The Council is required to meet the Scottish Housing Quality Standard by 2015.

**5.29 Summary**

The Council is required to determine the average weekly unrebated rents (and other miscellaneous rents and service charges) for municipal houses to take effect from Monday 2 April 2012 which in turn will allow decisions to be taken on the level of capital investment.

**6. IMPACT**

The City Council will operate within overall financial constraints taking into account recommended accounting practice and policies. Rent increase will be notified to tenants providing them with 28 days notice.

**7. BACKGROUND PAPERS**

HRA 30 Year Business Plan

**9. REPORT AUTHOR DETAILS**

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**ABERDEEN CITY COUNCIL**  
**HOUSING REVENUE ACCOUNT**  
**2012/13 – 2014/15 BUDGET PAPERS**



**ABERDEEN**  
**CITY COUNCIL**

**Barry Jenkins**  
**Head of Finance**

**Pete Leonard**  
**Director of Housing and Environment**

**APPENDIX 1**

**ABERDEEN CITY COUNCIL**  
**DRAFT HOUSING REVENUE ACCOUNT**

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## Revenue Assumptions

In preparing the information for the draft Housing Revenue Account budget for the financial year 2012/13, a number of assumptions have been made and these are given below.

Should you require an electronic version of the budget contained within this documentation, please contact Steven Whyte, Chief Accountant on (52)3566 or e-mail [swhyte@aberdeencity.gov.uk](mailto:swhyte@aberdeencity.gov.uk). The budget information is available as a set of Excel spreadsheets.

### **Inflation**

In preparing the budget no general inflationary uplift has been added which is in line with the base assumptions used in preparing the General Fund Budget for 2012/13, (there are some exceptions to this rule such as utility costs and contractual uplifts etc. and these are stated in the variance notes). Inflation is currently running at approximately 5.3% (RPIX at November 2011). (Source: Office of National Statistics)

### **Housing Stock**

The number of Council houses owned by the Council, as at 30 September 2011, is 22,629. It has been assumed that there will be a further 58 sales during the financial year 2011/12, bringing total sales for the year to 100. The average selling price for the period 1 April 2011 to 30 September 2011 is approximately £45,300.

### **Set Aside Rules**

For the financial year 2011/12 the Council budgeted for 100% of all Council house sales to be utilised to repay debt. The Council is free to decide on how the proceeds from the disposal of Council houses are used. **The Head of Finance recommends that all capital receipts continue to be used to repay debt for the financial year 2012/13 and future years.**

### **Council House Sales**

It has been assumed that the level of house sales will be 50 in 2012/13. The average selling price for 2011/12 is currently estimated at £45,300. The average number of houses for the financial year 2012/13 is therefore estimated to be 22,546 properties.

### **Average Rent Prices**

The average rent used for the financial year 2012/13 is £69.42 (per 48 weeks), and this has been used to calculate the income available in 2012/13 to fund the proposed budgeted level of expenditure. The average rent is calculated by taking the average rent for 2011/12 plus 6.3% (RPIX at November 2011 + 1% which is the Council's current rent strategy/policy).

Given the exceptional economic position of the European economies this is dealt with in further detail as part of this paper and also the final Committee report.

### **Heat with Rent**

A detailed analysis has been carried out on the utility bills for Heat with Rent to ensure that the charging policy introduced in the 2006/07 budget setting process can be continued into 2012/13. No increase of income has been built into the proposed budget.

### **Working Balances**

In developing a rent setting strategy it is important to ensure that there are adequate working balances. The Head of Finance recommends that this be set at 5% of gross expenditure (i.e. it should include capital from current revenue) as a result of the current high inflation and a potential increase in base rates which could materially impact on future contractual obligations.

### **Rent Setting Strategy**

In 2012/13 the Council is to continue with the existing rent setting strategy however it is the intention to move to a revised policy which is detailed below.

Aberdeen City Council currently has 820 different rent levels across its housing stock. These rent levels are based on the Gross Annual Value (GAV) assessed for each property.

GAV takes account of factors like the house type, age, structure, number of apartments, overall floor area, type of heating etc. They are historical values prepared by the Regional Assessor and are not transparent for tenants.

As part of the preparation of the Housing Business Plan work has been undertaken to review the current rent structure to identify how a new system of rent setting can be introduced which is easier for tenants to understand and for the Council to administer.

The establishment of a fair and transparent policy based on a points system that reflects different property attributes is an achievable outcome. A base rent would be applied to every property to which additions for specific factors would be added e.g. for each bedroom or for different property type.

The views of tenants are critical in ensuring the Council introduces an effective system. All tenants have received information and a questionnaire in November 2011 setting out the position identified above. (Assessment of the views of tenants will be included in the final Committee report but will be circulated to elected members prior to the Council meeting on 9 February 2011).

Presentations have been made to various tenants forums and tenants have been invited to participate in focus groups. These focus groups will allow more detailed consideration of the issues and tenants views sought on the various attributes which may be used, their relative weighting etc and issues around how any change could be implemented.

A report proposing a new rent setting policy will be prepared in 2012. If agreement is reached on a new points based rent setting policy, an implementation plan will be developed. The outcome of a fair and transparent rent setting policy should be achieved which will require to be phased in over more than one year.

Before any change is implemented all tenants will be notified with details of the changes and how they will impact on their rent.

It is proposed to set the rents using the existing rent methodology with the potential phased implementation of the new rent policy during the financial year 2012-13.

### **Business Plan**

During 2011 work has been carried out developing a 30 year business plan model which sets out the current and future financial position of the Council's HRA, it's ability to meet and maintain the Scottish Housing Quality Standard (SHQS) and manage, repair and invest in tenant's homes.

The model will allow the Council to identify the level of investment that is sustainable in the long term for other activities, for example, in investment and regeneration strategy.

The business plan is built from a robust information base following a review of all the income and spending assumptions which demonstrated the strong financial management of the HRA while still delivering the requirements of the SHQS as well as building new Council houses for the first time in almost a generation.

A sustainable rent policy must be adhered to in order to secure the long term financial position of this 30 year business plan. The sustainable rent policy that is current Council policy is for the rental increase of RPIX plus 1%. Given the current economic climate this is dealt with in more detail later in this report.

### **Housing Capital Expenditure Programme**

#### **Background**

The Housing Capital Expenditure Budget supports the delivery of the following National Outcomes to the citizens of Aberdeen:

- **National Outcome 10:** "We live in well designed sustainable places where we are able to access the amenities we need"; and
- **National Outcome 14:** "We reduce the local and global impact of our consumption and production"

This is in addition to contributing towards the achievement of the following strategic priorities laid out in the Community Plan Update 2008:

- **Affordable Housing** – Increasing the levels of affordable housing in new housing developments; and
- **Regeneration** – Improving the quality of life in our most deprived areas.

The 2011/12 Budget will continue to provide funding for on-going new build projects and site acquisition.

All of this has been achieved within the financial projections contained within the existing Housing Revenue Account Business Plan.

### **Housing Investment Programme**

2012/13 will see continued major investment in tenants' homes to make sure that they meet their needs and expectations as well as the requirements of the Scottish Housing Quality Standard (SHQS). Aberdeen City continues to make steady progress towards SHQS compliance with 59% of our stock now meeting the standard (as at September 2011) rising to an anticipated 75% by the March 2013.

Following the recent appointment of a framework contractor we are now in a position to continue our normal heating replacement work following the delays caused by the legal challenge to the award of the heating framework tender in 2009.

Furthermore we will continue to provide funding for the provision of combined heat and power in our multi storey stock. These actions will improve the energy performance of the council housing stock and prevent potentially hundreds of tenants from falling into or remaining in fuel poverty.

In early 2012 the Council will start work on a major over cladding scheme to three High Rise buildings. These proposals have been brought forward due to the continued problems with water penetration.

In addition to this the Council also plans to commence a programme of structural repairs to seven other multi storeys.

To ensure that the Council can meet its priorities in terms of its housing stock the capital programme for the next three years (inclusive of slippage) is proposed as follows:

2012/13 - £47.00 Million  
2013/14 - £44.45 Million  
2014/15 - £39.75 Million

The capital investment programme will begin to diminish in 2013/14 as a result of the reduced work required on the SHQS and this will have significant savings in the revenue account as the borrowing levels will begin to reduce.

### **Housing New Build Programme**

In September 2011 the first phase of the Council's New Build Programme was completed. During the financial year 2012/13 the Council will complete the construction of phase two and three of its' New Build Programme. These developments are to be located at the following sites:

<b>Location</b>	<b>Houses</b>	<b>Flats</b>	<b>Total</b>
<b>Phase 1</b>			
Byron Park, Northfield	16	12	28
Hayton Road, Tillydrone	18	12	30
Rorie Hall, Cults		27	27
<b>Phase 2</b>			
Marchburn, Northfield	19	16	35
<b>Phase 3</b>			
Oldcroft Place, Stockethill	11	20	31

The Council was successful in obtaining grant assistance from the Scottish Government for the construction of 66 units for Phase 2 and 3 amounting to a total of £1.805 million. This will reduce the overall borrowing requirements that otherwise would have been required.

The Phase Two Scottish Government grant money will help build 35 new council homes in a family-friendly "Homezone" on the site of the former Marchburn School in Northfield, comprising 19 three-bedroom houses and 16 two-bedroom flats. The Homezone concept ensures that residential streets are designed for people, not traffic, to improve the quality of life.

The Phase Three Scottish Government grant money will help build 31 new Council homes on the site of the former Croft House in Stockethill, comprising of 11 three-bedroom houses and 20 two-bedroom flats. This development will also use the Homezone concept encouraging a more flexible and innovative approach to the design of new residential streets.

### **Housing Capital Budget Expenditure Proposal**

Taking the above points into consideration, the total Housing Capital Expenditure Budget requirements (inclusive of slippage) for each of the next three financial years are proposed as follows:

<b>Fiscal Year</b>	<b>Housing Investment</b>	<b>Housing New Build</b>	<b>Total</b>
2012/13	£46.76 Million	£0.236 Million	£47.00 Million
2013/14	£43.95 Million	£0.500 Million	£44.45 Million
2014/15	£39.75 Million	£ 0.00 Million	£39.75 Million

Housing Revenue Account Draft 2012/13 Budget		Budget	Out-turn	Budget	Notes
		2011/12	2011/12	2012/13	
		£000's	£000's	£000's	
<b>Premises Costs</b>					
1	Rates	3	3	3	
2	Rent – Other	128	128	135	1
3	Repairs and Maintenance	23,531	24,454	23,264	2
4	Maintenance of Grounds	2,560	2,560	2,560	3
5	Gas	710	710	714	4
6	Electricity	2,310	2,310	2,361	5
7	Cleaning Service	520	520	476	6
8	Security Service	444	444	444	7
9	Window Cleaning	18	19	19	
10	Refuse Collection	150	240	240	8
11	Cleaning – Sheltered Housing	475	475	475	9
12	Premises Insurance	71	56	56	10
13	Other Property Costs - Council Tax	72	115	115	11
		<b>30,991</b>	<b>32,034</b>	<b>30,862</b>	
<b>Administration Costs</b>					
14	Downsizing Grants/Direct Debit Incentives	78	78	52	12
15	Legal Expenses	340	222	222	
16	Office Tel / Rent	88	88	88	
17	Former Tenants Arrears	1,379	1,379	1,379	13
18	Charges - Services Admin & Management.	8,804	8,110	8,556	14
19	General Consultancy	55	55	55	15
20	Training for Front Line Staff	100	100	100	15
21	Benefits Staff	94	94	94	15
22	Charges - Tenants Participation	238	238	238	16
23	Charges for Environmental Health	226	213	213	
		<b>11,402</b>	<b>10,577</b>	<b>10,997</b>	
<b>Supplies &amp; Services</b>					
24	Provision of Meals	218	177	177	17
25	Equipment Purchase	55	55	55	
26	Television Licence	5	5	5	
27	Integrated Housing System	384	384	338	18
		<b>662</b>	<b>621</b>	<b>575</b>	
<b>Agencies</b>					
28	Mediation Service	98	98	98	20
29	Energy Advice	81	81	81	20
30	Citizens Advice Bureau	14	14	14	15
31	Disabled Persons Housing Service	38	38	38	15
		<b>231</b>	<b>231</b>	<b>231</b>	



	<b>Housing Revenue Account</b>	<b>Budget</b>	<b>Out-turn</b>	<b>Budget</b>	
	<b>Draft 2012/13 Budget</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2012/13</b>	
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
	<b>Transfer Payments</b>				
32	Aberdeen Families Project	400	400	400	21
33	Loss of Rent - Council Houses	651	722	722	22
34	Loss of Rent - Garages, Parking etc	160	154	154	
35	Loss of Rent - Modernisation Works	51	82	87	
36	Supporting People Contribution	406	406	406	23
37	CFCR	13,828	15,715	18,681	
		<b>15,495</b>	<b>17,479</b>	<b>20,450</b>	
	<b>Capital Financing Costs</b>				
38	Loans Fund Instalment	3,560	3,276	4,260	
39	Loans Fund Interest	12,429	9,713	10,819	
40	Heating Leasing Payment	131	131	131	
		<b>16,120</b>	<b>13,120</b>	<b>15,210</b>	24
	<b>Expense Total</b>	<b>74,901</b>	<b>74,062</b>	<b>78,325</b>	
	<b>Income</b>				
41	Government Grant - General	(310)	(230)	(420)	25
42	Ground Rentals	(25)	(25)	(25)	
43	Dwelling Houses Rent Income	(71,159)	(70,375)	(74,476)	26
44	Housing - Heat with Rent Income	(1,233)	(1,252)	(1,252)	27
45	Housing - Garages Rent Income	(1,029)	(1,018)	(1,018)	28
46	Housing - Parking Spaces Rent	(173)	(167)	(167)	28
47	Housing - Insurance Income	(36)	(36)	(8)	
48	Housing - Other Service Charge	(495)	(515)	(515)	28
49	Legal Expenses	(360)	(323)	(323)	
50	Revenue Balance Interest	(81)	(121)	(121)	29
	<b>Income Total</b>	<b>(74,901)</b>	<b>(74,062)</b>	<b>(78,325)</b>	
	<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	<b>Projected Working Balance at 1 April 2012</b>			<b>4,319</b>	

## HOUSING REVENUE ACCOUNT 2012/13 BUDGET

### Variance Notes

#### Comparing Draft Budget 2012/13 to Estimated Out-turn 2011/12

#### Expenditure Movements

##### **1. Rent**

This budget is for the rent of Police Houses, Accommodation for Community Groups and Housing Offices. These have been uplifted by 6.3% which reflects the current rent increase policy.

##### **2. Repairs and Maintenance**

An analysis of the proposed budget is included within this booklet (pages 15 to 16).

##### **3. Maintenance of Grounds**

Maintenance of Grounds budget has two elements: Ground Maintenance and cleansing/weed control. The budget for 2012/13 has been maintained at the level of the 2011/12 Budget reflecting expected expenditure levels.

##### **4. Gas**

The Council moved on to the Scottish Government National Procurement for Gas Supply on 1 April 2010 with the contract price reviewed on an annual basis. The budget has been calculated using the actual consumption from 2010/11 and an anticipated uplift of 10% in the contract price as advised by the Council's energy unit.

##### **5. Electricity**

This is the second year of a four year electricity contract. The budget has been calculated by using the 2010/11 consumption and the unit charge for both heat with rent and communal areas.

##### **6. Cleaning Service**

This budget is for the communal cleaning. The cleaning contract commenced on 5 July 2010 and runs for three years. The cost of cleaning included in the budget for 2012/13 has been reduced to £476,000 which reflects the reduced cost from the contractor as a result of the TUPE period coming to an end.

##### **7. Security Service**

This budget is for the Security Service which started in 2012/13 and runs for three years. The cost of the security included in the budget for 2012/13 is £444,000.

##### **8. Refuse Collection**

This budget has been based on the actual expenditure for 2010/11.

##### **9. Cleaning – Sheltered Housing**

This is the budget for the cleaning of Sheltered Housing and has been calculated by using the actual for 2010/11.

## **10. Premises Insurance**

The budget for 2012/13 has been maintained at the 2011/12 level.

## **11. Other Property Costs – Council Tax on void properties**

This budget is for the cost of Council Tax due on void properties. The actual expenditure for 2010/11 has been used and is based on the assumption that there will be no increase in Council Tax for 2012/13 based on the terms and conditions of the award of the General Revenue Grant.

## **12. Downsizing Grants/Direct Debit Incentives**

There are currently two schemes within this budget line which are Downsizing grants (£50,000) and Direct Debit Incentives (£2,000).

The Downsizing scheme provides assistance and a financial incentive to Council tenants occupying 3+ bedroom family properties in high demand areas to move to smaller more suitable housing in order to increase the supply of large family housing. It was agreed at the Housing & Environment Committee on 1<sup>st</sup> November 2011 to continue the scheme for a further year and to incorporate amenity housing into the scheme where tenants meet the criteria and to set the budget for 2012/13 at £50,000

The Direct Debit incentive scheme was introduced on 5 April 2010. Each month there will be a draw for all new and existing direct debit payers for a chance to win a week free rent period, thereby encouraging more people to switch to paying by direct debit.

## **13. Former Tenants Arrears**

The budget has been maintained at the current budgeted level for 2011/12 to allow for potential costs of the revised benefits scheme being introduced by the Government. Aberdeen City Council had 25.2% tenancies in arrears at 31 March 2011 compared to the Scottish Average of 25%.

## **14. Management & Administration**

The staffing budget is based on the current structure of the Housing Revenue Account. No pay award has been allowed for which is in line with the assumptions contained within the Council's General Fund.

## **15. General Consultancy, Training for Front Line Staff, Benefits staff, Citizens Advice Bureau, Disabled persons Housing Service**

All of the above budgets have had no uplifts assumed.

General Consultancy allows the Housing Revenue Account to fund one off projects. As an example of this type of expenditure it would include work on the Housing Business Plan.

Training for Front line Staff allows, for example, Housing Assistants to participate in professional staff development programmes with the opportunity of gaining membership of the Chartered Institute of Housing.

The costs of the Benefits staff are recharged from the Benefits team within Social Care and Wellbeing for the time spent with Council House Tenants on maximising income and tackling financial exclusion.

The contribution to the Citizens Advice Bureau (CAB) provides funding to the service at ARI/Woodend Hospitals for benefits.

An options appraisal has been undertaken on Financial Inclusion Services which includes both the contribution to CAB and the Benefits team. This appraisal will be reported to the Housing & Environment Committee on 12 January 2012.

Disabled Persons Housing Service (Aberdeen) (DPHS) is a charitable organisation that provides specialist information, advice and advocacy on housing matters to disabled people, their families and carers and professionals working in housing, social work, health and the voluntary sector.

Grant funding has previously been provided to DPHS and it was agreed in 2010/11 that funding would run for a three year period and would cover core funding for the Development Officer's post, plus an allowance for running costs. This will enable the DPHS to continue to develop and expand the range of services that it offers to people of Aberdeen in line with the objectives set out within the Disability Action Group (DAG), DAG Homes Sub-Group Action Plan, the Local Housing Strategy and the Community Care Housing Strategy.

#### **16. Tenants Participation**

This is the budget allocated for the provision of the Tenants Participation and includes the employment costs of two Tenant Participation Officers, Newsbite and training for tenant representatives.

#### **17. Provision of Meals**

The actual expenditure for 2010/11 is the basis for the 2012/13 budget. This budget is for the provision of meals at Denmore and Kingswood extra care housing. The income for this service is contained in line 49 of the budget statement above which is shown as "Housing Other Service Charge". No increase to this charge is being recommended (this is contained in miscellaneous rents page 20) as there is currently a review ongoing on Housing for Varying Needs which will consider these charges for the future. In addition the budget for 2011/12 includes £40k for the provision of meals in sheltered housing during the process of modernisation which is no longer required for 2012/13.

#### **18. Integrated Housing System**

This budget is based on the IT requirements for 2012/13 which includes all the support and maintenance costs.

## **20. Mediation Service & Energy Advice**

For 2012/13 budgets have been maintained at 2011/12 levels. The Energy Advice budget is currently a payment to SCARF (Save Cash and Reduce Fuel). SCARF encourage the sustainable use of energy, achieving affordable warmth, eradicating fuel poverty and extending the life of natural energy resources across the North East of Scotland.

## **21. Aberdeen Families Project**

This budget is used to fund the Aberdeen Families Project. The Families project is based in the area of Torry and provides intensive support and supervision to families (mainly council tenants) who are involved in serious antisocial behaviour which could result in their eviction and subsequent homelessness. The service aims to reintegrate tenants or former tenants who are homeless and have a history of not sustaining a satisfactory tenancy, back into a tenancy without requiring intensive housing management. The budget has been maintained at 2011/12 levels.

## **22. Loss of Rent Council Houses**

The budget is based on the estimated out-turn for 2011/12 as at the end of October 2011. No uplift has been assumed therefore setting a target for savings in 2012/13. The void trend in 2011/12 is still showing a small increase.

## **23. Supporting People Contribution**

This budget is a contribution to cover the costs of providing the former Wardens salaries for people who were not in receipt of Housing Benefit as at 31 March 2003. The contribution in 2012/13 is based on the actual expenditure for 2010/11.

This does not reflect the costs associated with the former warden's salaries as this forms part of the General Fund.

The contribution is being considered as part of the review for Housing for Varying Needs and therefore will be subject to change.

## **24. Capital Financing Costs**

The budget for Capital Financing Costs is based on the likely level of capital spend in 2011/12 as at the end of October 2011 and a possible future programme for 2012/13 of £41.825 million as well as the level of historic debt that has to be financed. It also assumes that the consolidated loans pool rate (the rate used to calculate debt charges) is 5%.

## **Income**

### **25. Government Grant – General**

This budget is grant income from the Scottish Government for the Hostel deficit funding and is the estimated level of funding for 2012/13 taking into account income from Housing Benefit.

## **26. Dwelling Houses Rent Income**

The budgeted income from Dwelling House Rent is calculated by using the October 2011 outturn less a projected reduction in stock of 50 increased by the potential rent increase of 6.3% (RPIX at November 2011 +1%) which is in line with current Council policy on rent setting.

## **27. Housing – Heat with Rent Income**

A review was undertaken of the income and expenditure of Heat with Rent.

- **Gas**  
The projected energy consumption and contract rates were provided by the Council's Energy Management Unit for each sheltered complex. As from the 1 April 2011 the Gas Supply is through Scottish Government National Procurement and is reviewed on an annual basis. The energy used in the common rooms and guest rooms have been removed from the calculation as these costs are funded by rent pooling. The revised consumption has been multiplied by the agreed rate to be paid on the gas contract.
- **Electricity**  
The projected energy consumption and rates were provided by the Council's Energy Management Unit for each sheltered complex. The four year electricity contract started on 1 April 2011 at an increased rate of 100%. Reductions in the consumption were made for the common rooms and guest rooms as these costs are funded by rent pooling. The consumption has been multiplied by the agreed rate on the electricity contract.
- **Combined Heat & Power (CHP)**  
Aberdeen Heat and Power have advised that the rate charged to Aberdeen City Council will be increased to £10.54 per week for each property on CHP.

P22 of this document shows the recovery of these costs

## **28. Housing – Garages Rent Income, Housing Parking Spaces Rent, Housing – Other Service Charges**

This line will move depending on the level that miscellaneous rents are set at, as covered on page 20. The current budget therefore assumes that there will be no increase at present.

## **29. Interest on Revenue Balances**

This is akin to bank interest received on the HRA's cash flow during the year. Budget is based on the income received in 2010/11 and current economic conditions.

HOUSING REPAIRS DRAFT BUDGET		Approved Budget 2011/12 £'000	Projected Spend 2011/12 £'000	Base Budget 2012/13 £'000
<b>PLANNED AND CYCLICAL MAINTENANCE</b>				
1	External Joinerwork Repairs including external painterwork etc.	1,500	1,250	1,500
2	Boiler Maintenance – Sheltered Housing	248	130	175
3	Controlled Entry Systems – Maintenance	385	500	450
4	Fire Precautions - Servicing & Renewal of Equipment incl Smoke Detectors & Dry Risers	340	359	340
5	Flat Roofs/Dormers – Renewal & Insulation	15	50	50
6	Common Rooms – Replacement of Furniture	70	70	70
7	Gas Servicing, Maintenance and Repair	2,400	2,800	2,825
8	Laundry Equipment Replacement & Maintenance	65	84	85
9	Legionella Testing incl. Repair/Renewal of Tanks	150	47	100
10	Lift Maintenance	200	375	315
11	Mutual Repairs outwith Housing Action Areas	25	25	25
12	Pumps & Fans - Maintenance & Renewal	150	85	90
13	Sheltered Housing - Replacement of Carpets, furnishings etc	70	14	70
14	Standby Generators – Maintenance	112	87	90
15	Warden call systems- maintenance and Repair	90	55	90
16	Provision of Community Alarm	125	17	125
17	Environmental Improvements (including internal communal areas)	1,500	1,250	1,500
18	Relets	5,000	4,461	4,500
19	Asbestos	600	135	200
<b>Planned/Cyclical Maintenance Sub Total</b>		<b>13,045</b>	<b>11,795</b>	<b>12,600</b>
<b>DAY TO DAY RESPONSE MAINTENANCE</b>				
20	Blacksmith General incl. Renewing & Repairing Rotary Driers/Handrails	300	276	280
21	Car Park Repairs	10	10	10
22	Chimneyheads - Repointing and Rebuilding	5	2	5
23	Condensation - Treatment of Walls	125	157	160
24	Electrical Work - General Repairs	1,030	1,428	1,100
25	Emergency Work - Out of Hours Service	700	598	620
26	External/Internal Response Paintwork	400	339	350
27	Fire Damage Repairs	45	274	200
28	Garage Repairs	20	27	30
29	Glazierwork	140	438	200
30	Joinerwork - General Repairs	2,200	2,578	2,000
31	Masonwork and Water Penetration Repairs	600	740	620
32	Minor Environmental Services	500	513	520
33	Plasterwork – General	350	309	320
34	Plumberwork – General	1,100	1,548	1,100
35	Slaterwork	810	1,047	800
36	Snow Clearance	52	52	52
37	TV Aerial	124	212	220
38	Rubbish Removal	150	229	200
39	Vandalism	175	205	200
40	Water Services Charges	10	10	10
<b>Day to Day Response Maintenance Total</b>		<b>8,846</b>	<b>10,992</b>	<b>8,997</b>
41	Fees	1,640	1,667	1,667
<b>TOTAL REPAIRS AND MAINTENANCE BUDGET</b>		<b>23,531</b>	<b>24,454</b>	<b>23,264</b>

## **REPAIRS AND MAINTENANCE BUDGET 2012/13**

### **General**

The projected spend figures have been taken from invoicing up to 2 October 2011 and the committed cost for jobs yet to be invoiced as at 28/11/11.

Projections are based on the average monthly spend, updates from Surveyors and in the case of the general trades historical information has been taken from previous spend patterns.

Projected spend in 2011/12 is currently anticipated to be higher than budget and relates to invoices from 2010/11 that have yet to be charged. However H&E are investigating this to ensure these have not already been included in the work in progress calculation for 2010/11 therefore already accounted for in 2010/11 costs.

### **Specific Items**

#### **Planned and Cyclical Maintenance**

##### **Item 7: Gas Servicing, Maintenance and Repair**

The budget reflects the anticipated contract renewal as per the report to Housing & Environment Committee dated 1 November 2011.

##### **Item 10: Lift Maintenance**

The projected increase is based on spend to date.

##### **Item 18: Relets**

In 2010/11 there were a number of homeless properties requiring an initial upgrade. With this work now completed there is far less work attributable to these flats in 2011/12 therefore the budget can be reduced for 2012/13.

##### **Item 19: Asbestos**

The projected decrease is based on spend to date.

#### **Response Maintenance**

##### **Item 27: Fire Damage**

The projected increase reflects that in 2011/12 there has been an increasing trend of work required as a result of fire damage.

##### **Item 30: Joinerwork – General Repairs**

The reduction in the Joinerwork is as a result of the Joiners being the last trade to go onto mobile working. In other trades this has resulted in a reduction of costs.



	Management & Admin		Proposed	
		Budget	Budget	
		2011/12	2012/13	Notes
		£000's	£000's	
	<b>Staff Costs</b>			1,2
1	Salaries	6,240	6,409	
2	Overtime	68	69	
3	Superannuation	1,080	1,118	
4	N.I	520	511	
5	Other Staff Costs	231	253	
		<b>8,139</b>	<b>8,360</b>	
	<b>Premises Costs</b>			2
6	Rates	90	107	
7	Rent	29	30	
8	Insurance	2	2	
9	Electricity/Gas	77	70	
10	Void Properties	10	10	
11	Rubbish Removal	7	21	
12	Cleaning	41	114	
13	Repairs and Maintenance	32	45	
14	Security	0	51	
		<b>288</b>	<b>450</b>	
	<b>Administration Costs</b>			3
15	Printing	80	82	
16	Photocopying	18	19	
17	Stationery	27	30	
18	Subscriptions	16	16	
19	Postages	77	87	
20	Telephones	28	35	
21	Bank Charges(inc Cash in transit	35	76	
22	Advertising	63	49	
23	Course Expenses	94	93	
24	Legal Expenses	9	17	
25	Former Tenants Arrears	3	3	
26	Insurances	1	1	
		<b>451</b>	<b>508</b>	3

			<b>Proposed</b>	
		<b>Budget</b>	<b>Budget</b>	
		<b>2011/12</b>	<b>2012/13</b>	
		<b>£'000</b>	<b>£'000</b>	
	<b>Transport Costs</b>			3
27	Travel Costs	97	94	
		<b>97</b>	<b>94</b>	
	<b>Supplies &amp; Services</b>			3
28	Equipment Purchases	35	49	
29	Computer Software Support	18	18	
30	Office Equipment	8	8	
31	Books & Newspapers	0	1	
32	Sundry Outlays	100	109	
		<b>161</b>	<b>185</b>	
	<b>Corporate/Directorate Recharge</b>			
33	Corporate/Directorate Recharges	2,251	2,020	4
		<b>2,251</b>	<b>2,020</b>	
	<b>Expense Total</b>	<b>11,387</b>	<b>11,617</b>	
	<b>Income</b>			
	Recharges:-			
34	Management & Admin – HRA	(8,370)	(8,453)	
35	Tenants Participation – HRA	(288)	(238)	
36	Other Housing	(287)	(289)	
37	Homeless Persons	(474)	(160)	
38	Housing Capital	(1,209)	(1,232)	
		<b>(10,628)</b>	<b>(10,372)</b>	
39	Hostel - Rents	(760)	(1,245)	2
	<b>Income Total</b>	<b>(11,387)</b>	<b>(11,617)</b>	
	<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	

## MANAGEMENT AND ADMINISTRATION BUDGET

### Variations and Notes

The 2012/13 budget for management and administration is based on the existing structure of Housing which will be subject to change as work is completed in reviewing existing structures.

**1. Staff Costs**

Staff costs have been increased to reflect annual salary increments and increases in employers' Superannuation and National Insurance costs. Included within this budget are an element of the Corporate Director and Heads of Service for Housing and Environment.

**2. Premises Costs, Fees & Charges**

The increase in these budgets reflects a review of the hostels expenditure levels. Any deficit from the hostels is Grant Funded by the Scottish Government.

**3. Administration Costs, Transport Costs, Supplies and Services**

All the above budgets have been reviewed with certain costs being maintained or increased based on current service provision.

**4. Corporate/Directorate Charges**

This budget is based on the current services being provided to Housing and may be subject to change. It covers services such as Legal, Finance, Office Accommodation, IT, etc.

ABERDEEN CITY COUNCIL HOUSING REVENUE ACCOUNT					
Proposed Increase to be included in the HRA budget – Miscellaneous Rents					
	2 0 1 2 / 2 0 1 3				
	Current	Proposed	Increase	Percentage	Additional
	Rental	Rental	Per Week	Increase	Income
Miscellaneous Increases	£	£	£	%	£
Garages	8.50	9.10	0.60	7.06	61,286
Denburn and West North Street Spaces	4.40	4.40	0	0	0
Garages Sites	3.40	3.70	0.3	8.82	15,251
Car Ports	3.80	4.10	0.3	7.89	2,074
Car Parking Spaces – Local Residents Note 1	3.40	3.40	0	0	0
Parking Spaces Non Local Residents Note 1	35.00	35.00	0	0	0
Window Cleaning Note 2	0.85	0.35	0	0	0
Meals at Denmore & Kingswood Note 2	35.00	35.00	0	0	0
Mortgage Reference Fees	56.00	60.00	4.00	7.14	112
Guest Rooms Note 2	15.30	15.30	0	0	0
Owners Administration fees	13.46	16.13	2.67	19.84	4,763
					<b>83,487</b>
<b>TOTAL ADDITIONAL INCOME NOT INCLUDED IN THE BASE BUDGET</b>					
<b>General Services</b>					
<b>Housing - Homeless Account</b>					
Homeless Flats – Service Charge Note 3	250.33	250.33	0	0	0
Clinterty Caravan Site	74.00	79.00	5.00	6.76	5,040
<b>Housing Revenue Account</b>					
<b>Accommodation Units (Grant Funded)</b>					
Adult (first2)	51.00	54.00	3.00	5.88	41,250
Child	34.00	36.00	2.00	5.88	13,750

The above proposed prices for 2012/13 take account of price elasticity of demand subject to:

Note 1 These charges were approved at H&E Committee on 25 August 2011 therefore do require further uplift.

Note 2 These charges are being considered as part of the overall review of Housing for Varying Needs

Note 3 No increase recommended as no uplift in the main expenditure.

<b>Heat with Rent – 48 week basis</b>		
	<b>Previous</b>	<b>Proposed</b>
<b>Gas Heated Properties</b>	<b>£</b>	<b>£</b>
Bedsits	7.75	8.25
1 bedroomed flats	8.35	8.95
2 bedroomed flats	8.55	9.25
3 bedroomed flats	9.55	10.35
<b>Electrically Heated Properties</b>		
Bedsits	8.75	9.25
1 bedroomed flats	9.35	9.95
2 bedroomed flats	9.95	10.65
3 bedroomed flats	10.55	11.35
<b>CHP Properties</b>		
All 1 Bedroomed Properties	8.30	8.90
All 2 Bedroomed Properties	8.70	9.40
All 3 Bedroomed Properties	9.30	10.10

### Heat with Rent calculations for 2012/13

It was agreed in the 2011/12 budget process to apply an **increase of 40p per week for bedsits, 50p per week for 1 bedroomed dwellings, 60p per week for 2 bedroomed dwelling and 70p per week for 3 bedroomed dwellings** across all the Council's Heat with Rent properties. There would also be similar increases required for the next three years to cover the costs.

It was noted that a review of the consumption and the costs would be required each year especially as only the electric contract was fixed for four years. There would also be revised costs for CHP and Gas each year. As a result the increases above for the subsequent three years would be subject to change.

The Office of National Statistics (ONS) have said that prices of electricity, gas and other fuels rose at an annual rate of 20.9%, the fastest pace since February 2009. Tenants with heat with Rent have been protected from these market increases as the Council can buy these fuels at lower contract prices than would be available to individual domestic customers. These fuel price savings are then passed on to tenants who are on Heat with Rent.

In addition as the charge is the same every week, tenants on Heat with Rent are not faced with the problem of having to pay large gas or electric bills during the colder winter months which have been extreme in the last two years.

It is proposed to apply an **increase of 50p per week for bedsits, 60p per week for 1 bedroomed dwellings, 70p per week for 2 bedroomed dwelling and 80p per week for 3 bedroomed dwellings across all the Council's Heat with Rent properties in 2012/13.**

For 2012/13 revised rates will result in **increases of between 5.71% and 8.6%.**

This would generate sufficient income to ensure the Housing Revenue Account breaks even between the costs to the Council of providing electricity and gas through Combined Heat with Power charges for the heating in these dwellings over a four year period.

	<b>Estimated 4 year cost to Council £'000</b>	<b>Estimated 4 year income to cover costs £'000</b>
<b>Total</b>	<b>6,200</b>	<b>6,200</b>

This would equate to the following weekly Heat with Rent charges for 2012/13:

**for electrically and oil heated properties:**

Bedsits	9.25	Increase of 5.71%
1 bedroomed dwellings	9.95	Increase of 6.42%
2 bedroomed dwellings	10.65	Increase of 7.03%
3 bedroomed dwellings	11.35	Increase of 7.58%

**for gas heated properties:**

Bedsits	8.25	Increase of 6.45%
1 bedroomed dwellings	8.95	Increase of 7.18%
2 bedroomed dwellings	9.25	Increase of 8.18%
3 bedroomed dwellings	10.35	Increase of 8.38%

**for CHP heated properties:**

1 bedroomed dwellings	8.90	Increase of 7.23%
2 bedroomed dwellings	9.40	Increase of 8.04%
3 bedroomed dwellings	10.10	Increase of 8.6%

ABERDEEN CITY COUNCIL									
HOUSING REVENUE ACCOUNT									
Proposed Increase to be included in the HRA budget									
Owners Charges									
	Total no of flats in complex	Owners liable for Charge	Electricity	Cleaning	Maintenance	Lifts Admin	Total Charge	Current Charge 2010/11	Difference
Ashgrove Court	40	2	50.56	46.00	16.86	4.03	117.45	133.82	-16.37
Aulton Court	113	15	24.28	32.35	10.96	4.03	71.62	84.88	-13.26
Balgownie Court	66	12	29.98	49.61	6.60	4.03	90.22	111.64	-21.42
Bayview Court	111	8	23.49	32.93	8.17	4.03	68.62	84.78	-16.16
Beachview Court	111	8	24.98	32.93	7.17	4.03	69.11	81.41	-12.30
Beechwood Court	72	2	19.84	50.97	12.81	4.03	87.65	99.09	-11.44
Bruce House	46	7	25.68	54.59	18.99	4.03	103.29	127.31	-24.02
Cairncry Court	94	21	40.18	33.21	11.04	4.03	88.46	111.43	-22.97
Cornhill Court	100	25	18.58	32.74	9.66	4.03	65.01	107.01	-42.00
Davidson House	46	17	35.78	54.59	21.26	4.03	115.66	129.34	-13.68
Denburn Court	120	40	30.94	30.46	11.33	4.03	76.76	99.74	-22.98
Elphinstone Court	72	1	31.42	50.77	11.83	4.03	98.05	107.75	-9.70
Grampian Court	52	4	37.52	57.09	15.68	4.03	114.32	108.69	5.63
Grandholm Court	72	0	30.46	50.77	9.49	4.03	94.75	107.75	-13.00
Gilcomstoun Land	75	34	40.38	31.45	16.95	4.03	92.81	105.39	-12.58
Greig Court	144	26	28.72	25.39	17.06	4.03	75.2	90.61	-15.41
Hutcheon Court	140	29	20.41	21.21	6.79	4.03	52.44	78.64	-26.20
Inverdon Court	66	17	30.09	49.61	15.96	4.03	99.69	112.50	-12.81
Kincorth Land	52	10	60.59	54.16	23.32	4.03	142.1	149.37	-7.27
Kings Court	72	3	26.74	50.77	3.96	4.03	85.50	105.41	-19.91
Linksfield Court	111	3	22.99	32.93	13.38	4.03	73.33	83.49	-10.16
Marischal Court	108	8	22.61	30.00	10.66	4.03	67.3	78.16	-10.86
Morven Court	52	3	37.37	57.09	10.33	4.03	108.82	120.37	-11.55
Oldcroft Court	72	8	17.05	50.77	12.17	4.03	84.02	93.55	-9.53
Porthill Court	72	14	18.15	28.52	10.25	4.03	60.95	62.94	-1.99
Promenade Court	111	8	24.74	32.93	8.71	4.03	70.41	86.13	-15.72
Regent Court	111	11	22.45	32.93	8.49	4.03	67.90	85.08	-17.18
Rose House	46	14	28.46	54.59	13.79	4.03	100.87	111.75	-10.89
Rosehill Court	94	15	43.45	33.21	9.35	4.03	90.04	114.52	-24.48
Seamount Court	126	40	45.83	29.00	6.22	4.03	85.08	74.10	10.98
Stockethill Court	100	33	37.90	32.74	9.05	4.03	83.72	111.29	-27.57
St Ninian Court	66	9	41.47	49.61	9.02	4.03	104.13	126.03	-21.90
Tillydrone Court	52	2	33.64	54.16	11.65	4.03	103.48	120.87	-17.39
Thistle Court	126	47	27.06	24.77	4.38	4.03	60.24	86.44	-26.20
Virginia Court	48	12	35.31	42.77	11.73	4.03	93.84	127.35	-33.51
Wallace House	46	6	28.21	54.59	11.71	4.03	98.54	107.28	-8.74
Total		514							
Proposed charges would be effective from 1 April 2012 to 31 March 2013									
Potential Increases stated in the above calculation -									
The Electricity reflects the consumption for each multi storey in the previous financial year									
Lift Maintenance is based on actual costs for 2010/11									
Admin Costs based on actual staff costs.									
Overall there is a fall in the annual charge as a result of using the actuals for lift maintenance this is in line with the Property Factors Act which is to be introduced on 1 <sup>st</sup> October 2012.									



**Other Local Authorities**  
**Average Rent Levels 2011/12**

No		2011/12 £
1	Edinburgh, City of	81.11
2	Renfrewshire	68.23
3	Shetland	66.13
4	Highland	66.07
<b>5</b>	<b>ABERDEEN</b>	<b>65.31</b>
6	Dundee	65.25
7	West Lothian	64.99
8	East Dunbartonshire	64.18
9	Orkney	63.65
10	North Ayrshire	61.75
11	Stirling	60.83
12	Clackmannanshire	60.68
13	South Lanarkshire	60.68
14	East Ayrshire	59.72
15	Aberdeenshire	59.59
16	South Ayrshire	59.55
17	Perth & Kinross	59.06
18	West Dunbartonshire	59.02
19	East Renfrewshire	58.98
20	Fife	58.55
21	Falkirk	57.55
22	North Lanarkshire	57.59
23	Midlothian	55.63
24	Angus	54.06
25	East Lothian	48.72
26	Moray	47.18

Based on 48 weeks rent levels.

## **ABERDEEN CITY COUNCIL Tenants Consultation**

Aberdeen City Council is committed to ensuring that tenants' views are both sought and listened to. As part of the review on the future of the Council housing stock, a tenant referendum was held to determine what the views of tenants was.

The tenants voted overwhelmingly to retain the Council as their landlord in 2002, provided that continued improvements were made to the housing stock. In 2004, the Council adopted a Housing Business Plan approach. This has allowed us to plan for the future. This has meant large rent increases over the last four years has allowed the Council to speed up the Capital Programme and build a foundation for future investment in Council homes.

Further, a questionnaire was sent out to tenants along with Newsbite in December 2011 to ascertain views on the possible rent increase of inflation plus 1%. The table below shows the result of the questionnaire.

### **ANNUAL RENT CONSULTATION – Feedback**

Do you agree that the rent policy, inflation + 1%, should be continued to maintain investment in our housing stock and improve services?

	<b>Returns</b>	<b>Percent</b>
<b>Yes</b>	1,011	48
<b>No</b>	598	29
<b>Don't know</b>	473	23
<b>Total</b>	2,082	100

Housing Revenue Account		Budget	Budget	Budget	Notes
		2012/13	2013/14	2014/15	
		£000's	£000's	£000's	
<b>Premises Costs</b>					
1	Rates	3	3	3	
2	Rent	135	138	142	3
3	Repairs and Maintenance	23,264	23,821	24,391	1
4	Maintenance of Grounds	2,560	2,586	2,611	2
5	Gas	714	732	750	3
6	Electricity	2,361	2,420	2,481	3
7	Cleaning Service	476	476	476	3
8	Security Service	444	448	453	2
9	Window Cleaning	19	19	19	
10	Refuse Collection	240	242	245	2
11	Cleaning - Payments to Contractor	475	480	485	2
12	Premises Insurance	56	57	59	3
13	Other Property Costs - Council Tax	115	115	115	
		<b>30,862</b>	<b>31,538</b>	<b>32,229</b>	
<b>Administration Costs</b>					
14	Down sizing Grants/Direct Debit Incentives	52	52	52	
15	Legal Expenses	222	222	222	
16	Office Tel / Rent	88	90	92	3
17	Former Tenants Arrears	1,379	1,379	1,379	
18	Charges - Services Admin & Management	8,556	8,642	8,721	
19	General Consultancy	55	55	55	2
20	Training for Front Line Staff	100	100	100	
21	Benefits Staff	94	95	95	2
22	Charges - Tenants Participation	238	240	243	2
23	Charges for Environmental Health	213	215	217	2
		<b>10,997</b>	<b>11,090</b>	<b>11,177</b>	
<b>Supplies &amp; Services</b>					
24	Provision of Meals	177	179	181	2
25	Equipment Purchase	55	55	55	
26	Television Licence	5	5	5	
27	Integrated Housing System	338	338	338	
		<b>575</b>	<b>577</b>	<b>579</b>	

	<b>Housing Revenue Account</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	
		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
	<b>Agencies</b>				
28	Mediation Service	98	99	100	2
29	Energy Advice	81	82	83	2
30	Citizens Advice Bureau	14	14	14	
31	Disabled Persons Housing Service	38	38	39	2
		<b>231</b>	<b>233</b>	<b>235</b>	
	<b>Transfer Payments</b>				
32	Aberdeen Families Project	400	404	408	2
33	Loss of Rent - Council Houses	722	747	773	4
34	Loss of Rent - Garages, Parking etc	154	159	165	4
35	Loss of Rent - Modernisation Works	87	90	93	4
36	Supporting People Contribution	406	406	406	
37	CFCR	18,681	18,430	18,548	
		<b>20,450</b>	<b>20,237</b>	<b>20,394</b>	
	<b>Capital Financing Costs</b>				
38	Loans Fund Instalment	4,260	5,216	6,097	
39	Loans Fund Interest	10,819	11,737	12,430	
40	Heating Leasing Payment	131	131	131	
		<b>15,210</b>	<b>17,084</b>	<b>18,658</b>	
	<b>Expense Total</b>	<b>78,325</b>	<b>80,758</b>	<b>83,272</b>	
	<b>Income</b>				
41	Government Grant – General	(420)	(420)	(420)	
42	Ground Rentals	(25)	(25)	(25)	
43	Dwelling Houses Rent Income	(74,476)	(76,909)	(79,423)	4
44	Housing - Heat with Rent Income	(1,252)	(1,252)	(1,252)	
45	Housing - Garages Rent Income	(1,018)	(1,018)	(1,018)	
46	Housing - Parking Spaces Rent	(167)	(167)	(167)	
47	Housing - Insurance Income	(8)	(8)	(8)	
48	Housing - Other Service Charge	(515)	(515)	(515)	
49	Legal Expenses	(323)	(323)	(323)	
50	Revenue Balance Interest	(121)	(121)	(121)	
	<b>Income Total</b>	<b>(78,325)</b>	<b>(80,758)</b>	<b>(83,272)</b>	
	<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	
	Minimum Working Balances	3,916	4,038	4,164	
	Actual Working Balance	4,319			

## **HOUSING REVENUE ACCOUNT THREE YEAR BUDGET ASSUMPTIONS**

### **1. Repairs and Maintenance**

The analysis of the three year budget is included within this booklet (page 30). The budget has been uplifted by 2.5% in 2013/14 and 2014/15. The fee element has been uplifted by 1% to reflect the salary uplift.

### **2. Maintenance of Grounds, Security Service, Refuse Collection, Cleaning – Sheltered Housing, Charges – Services Admin & Management, Benefits staff, Charges – Tenants participation, Charges for Environmental Health, Mediation Service, Energy Advice, Disabled Persons Housing Service, Aberdeen Families Project**

As these budgets principally are for staffing within the Council an uplift of 1% has been applied to reflect that the government has set public sector pay awards at 1% for each of the two years after the current pay freeze comes to an end.

### **3. Rent, Gas, Electricity, Cleaning Service, Premises Insurance, Office Tel**

These budgets have been uplifted by the inflationary increase in the updated HRA Business Plan.

### **4. Dwelling Houses Rent Income**

The budgeted income from Dwelling House Rent is calculated by using the budgeted figure for 2012/13 and uplifting each year by 3.5 % (RPIX of 2.5 % used in the business plan +1%) less a projected reduction in stock of 50 each year.

HOUSING REPAIRS DRAFT BUDGET		Base Budget 2012/13 £'000	Base Budget 2013/14 £'000	Base Budget 2014/15 £'000
<b>PLANNED AND CYCLICAL MAINTENANCE</b>				
1	External Joinerwork Repairs including external paintwork etc.	1,500	1,538	1,576
2	Boiler Maintenance - Extra Care Housing	175	179	184
3	Controlled Entry Systems – Maintenance	450	461	473
4	Fire Precautions - Servicing & Renewal of Equipment incl Smoke Detectors & Dry Risers	340	349	357
5	Flat Roofs/Dormers – Renewal & Insulation	50	51	53
6	Common Rooms - Replacement of Furniture	70	72	74
7	Gas Servicing, Maintenance and Repair	2,825	2,896	2,968
8	Laundry Equipment Replacement & Maintenance	85	87	89
9	Legionella Testing incl. Repair/Renewal of Tanks	100	103	105
10	Lift Maintenance	314	323	331
11	Mutual Repairs outwith Housing Action Areas	25	26	26
12	Pumps & Fans - Maintenance & Renewal	90	92	95
13	Extra Care Housing - Replacement of Carpets, furnishings etc	70	72	74
14	Standby Generators – Maintenance	90	92	95
15	Warden call systems- Maintenance and Repair	90	92	95
16	Provision of Community Alarm	125	128	131
17	Environmental Improvements	1,500	1,538	1,576
18	Relets	4,500	4,613	4,728
19	Asbestos	200	205	210
<b>Planned/Cyclical Maintenance Sub Total</b>		<b>12,600</b>	<b>12,915</b>	<b>13,238</b>
<b>DAY TO DAY RESPONSE MAINTENANCE</b>				
20	Blacksmith General incl. Renewing & Repairing Rotary Driers/Handrails	280	287	294
21	Car Park Repairs	10	10	11
22	Chimneyheads - Repointing and Rebuilding	5	5	5
23	Condensation - Treatment of Walls	160	164	168
24	Electrical Work - General Repairs	1,100	1,128	1,156
25	Emergency Work - Out of Hours Service	620	636	651
26	External/Internal Response Paintwork	350	359	368
27	Fire Damage Repairs	200	205	210
28	Garage Repairs	30	31	32
29	Glazierwork	200	205	210
30	Joinerwork – General Repairs	2,000	2,050	2,101
31	Masonwork and Water Penetration Repairs	620	636	651
32	Minor Environmental Services	520	533	546
33	Plasterwork – General	320	328	336
34	Plumberwork – General	1,100	1,128	1,156
35	Slaterwork	800	820	841
36	Snow Clearance	52	53	55
37	TV Aerial	220	226	231
38	Rubbish Removal	200	205	210
39	Vandalism	200	205	210
40	Water Services Charges	10	10	11
<b>Day to Day Response Maintenance Total</b>		<b>8,997</b>	<b>9,222</b>	<b>9,452</b>
<b>HOUSING REPAIRS TOTAL</b>		<b>21,597</b>	<b>22,138</b>	<b>22,690</b>
	Fees	1,667	1,684	1,701
<b>TOTAL REPAIRS AND MAINTENANCE BUDGET</b>		<b>23,264</b>	<b>23,822</b>	<b>24,391</b>

	<b>Management &amp; Admin</b>			
		<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
		<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
	<b>Staff Costs</b>			
1	Salaries	6,409	6,473	6,538
2	Overtime	69	70	70
3	Superannuation	1,118	1,129	1,140
4	N.I	511	516	521
5	Other Staff Costs	253	256	258
		<b>8,360</b>	<b>8,444</b>	<b>8,528</b>
	<b>Premises Costs</b>			
6	Rates	107	110	112
7	Rent	30	31	31
8	Insurance	2	2	2
9	Electricity/Gas	70	72	73
10	Void Properties	10	10	10
11	Rubbish Removal	21	22	22
12	Cleaning	114	117	119
13	Repairs and Maintenance	45	46	47
14	Security	51	52	<b>53</b>
		<b>450</b>	<b>461</b>	<b>470</b>
	<b>Administration Costs</b>			
15	Printing	82	84	86
16	Photocopying	19	19	20
17	Stationery	30	31	31
18	Subscriptions	16	16	17
19	Postages	87	89	91
20	Telephones	35	36	37
21	Bank Charges	76	78	79
22	Advertising	49	50	51
23	Course Expenses	93	95	97
24	Legal Expenses	17	17	18
25	Former Tenants Arrears	3	3	3
26	Insurances	1	1	1
		<b>508</b>	<b>521</b>	<b>531</b>

		<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Transport Costs</b>			
27	Travel Costs	94	96	98
		<b>94</b>	<b>96</b>	<b>98</b>
	<b>Supplies &amp; Services</b>			
28	Equipment Purchases	49	50	51
29	Computer Software Support	18	18	19
30	Office Equipment	8	8	8
31	Books & Newspapers	1	1	1
32	Sundry Outlays	109	112	114
		<b>185</b>	<b>190</b>	<b>193</b>
	<b>Corporate/Directorate Recharge</b>			
33	Corporate/Directorate Recharge	2,020	2,040	2,061
		<b>2,020</b>	<b>2,040</b>	<b>2,061</b>
	<b>Expense Total</b>	<b>11,617</b>	<b>11,752</b>	<b>11,882</b>
	<b>Income</b>			
	Recharges:-			
34	Management & Admin – HRA	(8,453)	(8,538)	(8,616)
35	Tenants Participation – HRA	(238)	(240)	(243)
36	Recharges to Other Housing	(289)	(292)	(295)
37	Recharges to Homeless	(160)	(162)	(163)
38	Housing Capital	(1,245)	(1,244)	(1,257)
		(10,372)	(10,476)	(10,573)
39	Hostel – Rents	(1,245)	(1,276)	(1,308)
	<b>Income Total</b>	<b>(11,617)</b>	<b>(11,752)</b>	<b>(11,882)</b>
	<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>



**Draft Housing Capital Budget 2012/13 to 2014/15**

Project	2012/13	2013/14	2014/15
	£'000	£'000	£'000
<b>SCOTTISH HOUSING QUALITY STANDARDS</b>			
<b>1 Compliant with the tolerable standard</b>			
1.1 Major Repairs-	600	550	550
Roofs Renewal/Gutters/RWP/Roughcast			
Undertaking large scale repairs to Roofs/Gutters/RWP/Roughcast			
	600	550	550
<b>2 Free from Serious Disrepair</b>			
<b>2.1 Primary Building Elements</b>			
Structural Repairs Multi Storey	5,650	4,000	2,000
Multi Storey blocks are surveyed on a 5-7 year cycle to identify any works required to the structure of the buildings in order to keep the buildings safe and prolong their life.			
Structural Repairs General Housing	1,150	800	800
Structural works carried out in order to keep the building stable and structurally sound.			
<b>Secondary Building Elements</b>			
2.2 Upgrading Of Flat Roofs General	150	350	350
Replacement of existing roof covering and upgrading of insulation to meet current building regulations.			
2.3 Upgrade Flat Roofs Multi Storey	510	550	550
Full replacement of the flat roofs and also checking the replacement of roof ventilation as required			
2.5 Mono Pitched Types	500	250	500
Replacement of the external render of the building, replacement of gutters and downpipes, environmental works			
2.6 Window Replace General	600	900	500
A rolling programme of double glazing where previously single glazing, or replacing existing double glazing to meet current standards. This is based on a cyclical programme.			
2.7 Window Replace Multi Storey	600	300	450
A rolling programme to replace existing double glazing to meet current standards. This is based on a cyclical programme.			
2.8 Balcony Storm Doors	60	60	60
Replacement of existing doors with more secure, solid doors			
2.9 Balcony Glass Renewal - Multi Storey	90	200	90
Replacement of existing balcony glazing on a cyclical basis			
	9,310	7,410	5,300

	2012/13 £'000	2013/14 £'000	2014/15 £'000
<b>3 Energy Efficient</b>			
<u>Effective insulation</u>			
3.1 Energy Efficiency – General Houses	220	220	0
3.2 General Houses Loft Insulation Installation of loft insulation where there is none previously or the topping up of existing insulation to comply with current building regulations.	50	50	50
<u>Efficient Heating</u>			
3.3 Heating Systems Replacement Replacement of boiler/whole system as deemed necessary.	4,950	4,950	4,100
3.4 Medical Need Heating Installation of gas/electric heating depending on the medical assessment. This can be installing a completely new system, modifying or extending an existing system.	10	50	50
3.5 Energy Efficiency Multi Blocks Contribution to Aberdeen Heat & Power for the creation of Combined Heat & Power Plants	2,120	2,000	2,000
3.6 Energy Efficiency Sheltered Introduction of energy efficiency measures in extra care housing such as new or upgraded heating systems.	200	250	350
<u>Additional Energy Efficiency measures</u>			
3.7 S.C.A.R.F Payment to SCARF for work carried out by them under the Energy Efficiency programme to individual council properties. The work carried out includes the installation of loft insulation, draught proofing and compact fluorescent bulbs. Also providing tenants with energy efficiency advice and information.	35	35	35
3.8 Solid Wall Insulation Installation of solid wall insulation where there was none previously.	50	150	150
	<hr/> 7,635	<hr/> 7,705	<hr/> 6,735
<b>4 Modern Facilities &amp; Services</b>			
<u>Bathroom and Kitchen Condition</u>			
4.1 Modernisation Programme Replacement of bathrooms and kitchens.	16,401	13,894	13,111
	<hr/> 16,401	<hr/> 13,894	<hr/> 13,111
<b>5 Healthy, Safe &amp; Secure</b>			
<u>Healthy</u>			
5.1 Condensation Measures Installation of heating systems and ventilation measures to combat condensation.	50	50	50
<u>Safe</u>			
5.3 Rewiring Replacement of cabling, fittings and distribution boards as necessary. This work is carried out in every property on a cyclical basis	1,000	1,100	1,100
5.4 Lift Replacement Multi Storey/Major Blocks Replacement of lifts where they are beyond economical repair. This can be full replacement or replacement of specific parts of the lift.	600	1,000	1,000
5.5 Smoke Detectors – Common Areas Major Blocks	100	150	50

	2012/13	2013/14	2014/15
	£'000	£'000	£'000
<b>Healthy, Safe &amp; Secure (continued)</b>			
5.6 Services	50	200	200
Cyclical maintenance/replacement of the following services Ventilation Systems, water tanks/pipework, refuse chutes/chamber, Dry risers systems, Standby Generators			
5.7 Entrance Halls/Concierge	50	175	175
Provision of security service			
5.8 Laundry Facilities	50	150	150
Replacement of laundry equipment			
5.9 Upgrading of Lighting	36	36	10
Installation of lighting controlled by photo cell ie. switches on and off automatically depending on the level of natural light & installation of lighting in areas where there was none before			
<u>Secure</u>			
5.11 Door Entry Systems	40	40	40
Installation of door entry and replacement of existing doors where required			
5.12 Replace Door Entry Systems - Major Blocks	200	200	200
Installation of door entry and replacement of existing doors where required			
5.13 Other Initiatives	400	1,000	900
Upgrading of stairs and installation of security doors and door entry systems			
	2,576	4,101	3,875

#### NON SCOTTISH HOUSING QUALITY STANDARDS

<b>6 Community Plan &amp; Single Outcome Agreement</b>			
6.1 Housing For Varying Needs	300	300	300
New build including extra care housing.			
6.2 Community Initiatives	150	300	400
Refurbishment of properties or environmental improvements in designated areas.			
6.5 Regeneration/Acquisition of Land or Houses	1,000	1,000	1,000
Early Action projects linked to Regeneration and Masterplanning Briefs for Regeneration & provision of consultation events. Acquisition of Land/Houses for the new build programme.			
6.6 CCTV – Concierge	150	150	150
Provision of CCTV for the new Concierge service			
6.7 Adaptations Disabled	1,250	1,250	1,250
Installation of level access showers, ramps, stair lifts and kitchen adaptations			
6.8 Special Initiatives/Barrier Free Housing	370	250	250
Provision of specialist facilities or housing for tenants with particular needs ie extensions			
6.9 Housing For Varying Needs- Amenity/Adaptations	200	200	200
Conversion of properties to Amenity Level standard			
6.9 Housing For Varying Needs- Extra Care/Adaptations	300	320	300
Adaptations required to ensure existing sheltered housing stock meets current standards			
6.10 Roads	150	180	180
Upgrade of Roads to an adoptable standard			
6.11 Paths	150	150	150
Formation or upgrading of paths			
6.12 Garages	50	50	50
Upgrade of Garages			
6.13 New Affordable Housing	236	500	0
	4,306	4,650	4,230

	2012/13	2013/14	2014/15
	£'000	£'000	£'000
<b>7 Service Development</b>			
7.1 Conditions Surveys	50	50	50
Surveying of Council houses to identify failures against Scottish Housing Quality Standard			
7.2 Property Database	100	200	200
Various items of IT equipment including hardware and software			
7.3 Integrated Housing System	100	200	300
Various purchase of PC's and software packages			
7.4 Corporate IT			
	<u>250</u>	<u>450</u>	<u>550</u>
<b>9 Service Expenditure</b>			
Corporate Fees	5,923	5,686	5,401
	<u>5,923</u>	<u>5,686</u>	<u>5,401</u>
<b>Gross Programme</b>	<b><u>47,002</u></b>	<b><u>44,446</u></b>	<b><u>39,752</u></b>
Less Slippage	(5,177)	(4,883)	(4,574)
<b>Net Programme</b>	<b>41,825</b>	<b>39,563</b>	<b>35,178</b>
Financed by :-			
Borrowing	23,144	18,703	16,630
Scottish Government Grant Funding – New Build	0	930	0
SEE Grant Funding		1,500	0
CFCR (Capital Financed From Current Revenue)	18,681	18,430	18,548
Total Funding	<u>41,825</u>	<u>39,563</u>	<u>35,178</u>

## ABERDEEN CITY COUNCIL

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COMMITTEE	Council
DATE	9 February 2012
DIRECTOR	Stewart Carruth (Director of Corporate Governance)
TITLE OF REPORT	North East Scotland Pension Fund 2012/13
REPORT NUMBER:	CG12/012

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Council with details of the budget included in the 2012/13 General Fund budget that relates to the North East Scotland Pension Fund (NESPF).
- 1.2 This cost is based on Aberdeen City Council's statutory obligation to administer the scheme, the costs of which are met by the NESPF.

### 2. RECOMMENDATION(S)

- 2.1 It is recommended that Council:
  - a) notes the provision contained within the Council's General Fund budget for 2012/13; and
  - b) instruct the Head of Finance to recover the actual costs from the NESPF.

### 3. FINANCIAL IMPLICATIONS

- 3.1 This report outlines the costs that the City Council incurs in acting as the administering authority for the Fund. These costs are recovered from the NESPF.

### 4. OTHER IMPLICATIONS

None.

### 5. BACKGROUND/MAIN ISSUES

#### FUND STRUCTURE

- 5.1 The North East Scotland Pension Fund (The Main Fund) and the Transport Fund are administered by Aberdeen City Council within the Local Government Pension Scheme regulations.

- 5.2 The Scheme was established under the Superannuation Fund Act 1972; it is a statutory scheme and is contracted out of the Second State Pension. The scheme is open to all employees of the scheduled bodies, except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Police, Fire and Teachers).
- 5.3 Employees of admitted bodies can join the scheme subject to their individual admission criteria which are out with the control of Aberdeen City Council and administered by the NESPF.

#### SCHEME GOVERNANCE

- 5.4 Aberdeen City Council as the administering authority for the Pension Fund, delegates all pensions scheme matters to the Pensions Panel who have delegated powers. Support for the Pension Panel in investment matters is provided by the Joint Investment Advisory Committee. Detail of these roles is included in the Fund Governance Statement which is attached as Appendix 1 to this report. Support to both committees is provided by the Head of Finance of Aberdeen City Council.

#### KEY FACTS

##### 5.5 Key Facts as at 31 March 2011

- 5.5.1 The Fund has nearly 50,000 members and 57 scheme employers.
- 5.5.2 There are three main categories of membership, comprising of actively contributing members (21,300), members who have left employment but who have a deferred entitlement (13,800) and members in receipt of pensions (14,900).
- 5.5.3 A diversified portfolio of assets amounting to £2.2bn is managed externally by a number of appointed fund managers.
- 5.5.4 Total pension contributions in 2010/11 were £124m, comprising employer contributions of £98m and employee contributions of £26m.
- 5.5.5 The fund made payments to retired members during 2010/11 amounting to £68m. During the same period a total of £25m of lump sum payments were also made.
- 5.5.6 In operating the Fund the appointed actuary will examine the level of future commitments against the value (and future value) of the Fund. This calculation is known as the “funding position”.
- 5.5.7 The funding position shows the Funds ability to meet its future liabilities such that a 100% funded scheme has the financial resources to meet its future commitments.
- 5.5.8 This is based on a number of assumptions that takes into account a range of factors including age profile, mortality rates etc. As such the

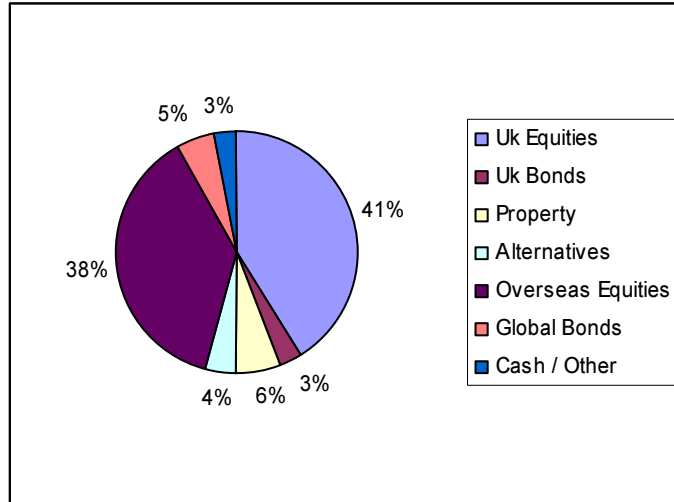
level the scheme is funded to will by its nature vary. The actuary will therefore set the employer contribution rate based around this. At present the NESPF has an estimated funding position of 89%. However, there is no current expectation that the employer rate will change for 2012/13.

## KEY ACHIEVEMENTS

### 5.6 Key Achievements 2011/12

- 5.6.1 New accounting and governance requirements saw the Fund publish its first Annual Report and Accounts separately from the accounts of Aberdeen City Council who acted as the Administering Authority for the financial year 2010/11.
- 5.6.2 The Pension Fund has produced an Annual Review of its performance and activities for the last 10 years. With effect from March 2011 the report became statutory with requirements to confirm the Fund's compliance with good Governance Practice and a management report explaining the Fund's overall investment performance. The main fund outperformed its customised benchmark over the year with a return of 10.64% versus the benchmark return of 8.49%.
- 5.6.3 The Fund was nominated for the second year running in the Large Fund category of the Professional Pensions Scheme Awards. The awards recognise high standards of service delivery to members, use of technology and overall investment performance.
- 5.6.4 The Fund continues to recognise its role as a shareholder in terms of Corporate Governance and Responsible Investment as a signatory to the United Nations Principles for Responsible Investment and membership of the Local Authority Pension Fund Forum where the Convener of the City Council Pensions Panel is a member of the Executive Committee.
- 5.6.4 Officers continued to work with the Fund's global custodian over the year to enhance the quality of information provided to Elected Members, via the Pensions Panel in terms of investment performance measurement and governance by the custodian.
- 5.6.5 The asset allocation of the Main Fund continues the Fund's commitment to invest in longer term performing assets such as UK & Overseas equities. The following diagram shows the allocation of assets as at 31 March 2011 as per the NESFP annual review 2011.

**Asset allocation - Main Fund as at 31 March 2011**



**2012/13 BUDGET**

5.7 The budget for Aberdeen City Council for 2012/13 is estimated at £1.4m and primarily relates to direct staff costs.

<b>Budget</b>	<b>£000's</b>	<b>Cost areas</b>
Salary costs	1,186	Direct salaries and costs for the management of the Fund
Corporate Governance Support Costs	200	Property, ICT, Payroll, Legal, Human Resources, Accounting Services
<b>Total estimate recharge</b>	<b>1,386</b>	

**GOVERNANCE**

5.8 The Pension Fund budgeted costs for salaries and direct costs are included in monthly monitoring reports to the Service and Corporate Management Teams. The Head of Finance reports to the Pensions Panel on a 6 monthly basis.

**6. IMPACT**

6.1 The Pension Fund budget promotes accountability and gives reassurance to the stakeholders in the Pension Fund. This report ensures transparency in costs from the administrator of the fund.

**7. BACKGROUND PAPERS**

Fund Governance Statement  
 North East Scotland Pension Fund Annual Review 2010/2011  
 Annual Accounts



8. REPORT AUTHOR DETAILS

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## NORTH EAST SCOTLAND PENSION FUND – GOVERNANCE POLICY STATEMENT

This statement documents the governance arrangements for the pension schemes administered by Aberdeen City Council. It was agreed by the Pensions Panel on 11 June 2008 and subject to revision as at 1 December 2010.

### 1. Regulatory Framework

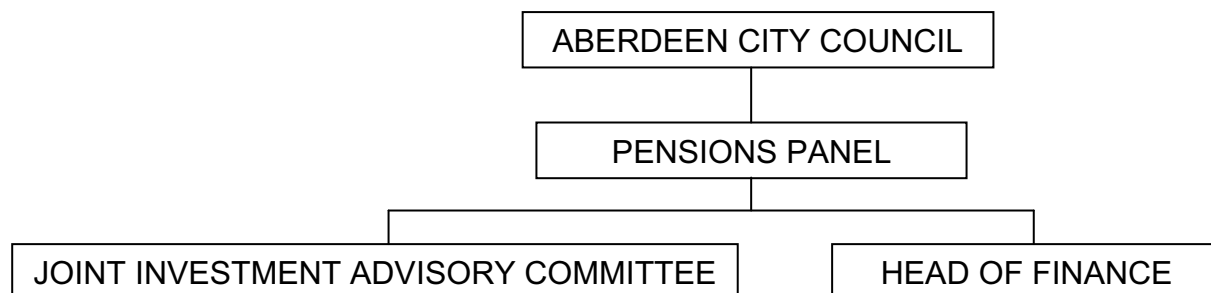
**1.1** The North East Scotland Pension Fund (The Main Fund) and the Transport Fund are administered by Aberdeen City within the Local Government Pension Scheme regulations. The scheme was established under the Superannuation Fund Act 1972, is a statutory scheme and is contracted out of the State Earnings Related Pension Scheme (SERPS). The scheme is open to all employees of scheduled bodies except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Police, Fire, and Teachers). Employees of admitted bodies can join the scheme subject to their individual admission criteria which are out with the control of Aberdeen City Council.

**1.2** There are 13 scheduled bodies:

Aberdeen City Council	Aberdeenshire Council	The Moray Council
Scottish Water	Grampian Valuation Joint Board	
Grampian Fire (non uniform)	Grampian Police (non uniform)	NESTRANS
Aberdeen College	Banff and Buchan College	Moray College
Visit Scotland	Northern Community Justice Authority	

A list of the admitted bodies is available from the office of the Head of Finance, Aberdeen City Council, The Town House, Broad Street Aberdeen AB10 1AH and is also contained within the Annual Pension Fund Review.

### 2. Fund governance structure



**2.1** Aberdeen City Council has delegated strategic responsibility for the administration of the Pension Fund to the Pensions Panel. The Council's standing orders govern the actions of the Panel and its Officers.

## **2.2 Pensions Panel**

Carries out a similar role to that of the trustees of a pension scheme. It is the key decision maker for all matters under the LGPS Regulations covering:

Benefits Administration  
Investment Management

The Panel consists of 4 City Council elected members, one from each of the major political parties. All members have equal voting rights.

The detailed terms of reference are reviewed annually by the Aberdeen City Council Pensions Panel and detailed delegations are contained in the report on Committee Terms of Reference. (Appendix 1)

## **2.3 Joint Investment Advisory Committee (JIAC)**

The JIAC consists of 12 members, 4 elected members from Aberdeen City Council (members of the Pensions Panel), 4 elected members from Aberdeenshire Council, and 2 elected members from the Moray Council, 1 member representing the colleges and admitted bodies and 1 representative from Scottish Water.

The JIAC have responsibility for monitoring the investment management of the Pension Fund and making recommendations to the Pensions Panel on the appointment, retention and termination of investment management contracts. All members of the JIAC have equal voting rights.

The detailed terms of reference are reviewed annually by the Aberdeen City Council Pensions Panel and detailed delegations are contained in the report on Committee Terms of Reference. (Appendix 1)

Committee minutes are available through both the website of Aberdeen City Council and the Pension Fund website

## **2.4 Frequency of Meetings**

Both the Pensions Panel and the Joint Investment Advisory Committee meet at least quarterly.

## **2.5 Head of Finance**

The Head of Finance has responsible for implementing the decisions of the Pension Panel/JIAC, and for the day to day management of the affairs of the North East Scotland Pension Fund.

The office of Head of Finance acts as the link for members, advisers and investment managers between meetings.

The detailed terms of reference are reviewed annually by the Aberdeen City Council Pensions Panel and detailed delegations are contained in the report on Committee Terms of Reference. (Appendix 1)

Day to day administration of the Pension Fund is carried out within the Service of Finance by the Pensions Section.

## **2.6 External Service Providers**

The Pension Fund appoints an actuary to carry out the triennial actuarial valuation, interim valuation and provide advice with regard to scheme funding.

A number of investment managers have been appointed. They have responsibility for the selection, retention and realisation of individual investments. Where appropriate they also implement the Fund's policy relating to environmental, social and governance matters.

The Pension Fund has appointed a global custodian. The custodian is responsible for the safekeeping of the Fund's assets, along with transaction processing, corporate actions, dividend collection and tax reclaims.

The Pension Fund has appointed a performance measurement company which reports quarterly to the JIAC on the performance and risk profile of the Fund and its underlying fund managers.

The detailed terms of reference are reviewed annually by the Aberdeen City Council Pensions Panel and detailed delegations are contained in the report on Committee Terms of Reference. (Appendix 1)

## **2.7 Internal controls**

Aberdeen City Council provides internal audit arrangements to the North East Scotland Pension Fund both as a tool of management and with direct reporting to the Audit and Risk Committee

## **2.8 External Review**

The annual financial statement of Aberdeen City Council and the North East Scotland Pension Fund are subject to external audit.

The Auditor is appointed by Audit Scotland, this helps ensure that public funds are properly safeguarded and accounted for and are used economically, efficiently and effectively in accordance with statutory and regulatory requirements.

## **2.9 Risk Management**

A risk review covering all aspects of the Pension Fund is carried out on an annual basis. The risk register is incorporated in the Pension Fund Team Plan. Risk awareness is embedded into the investment performance management process. Risk will continue to feature in the training planned for all those with responsibility for administering the North East Scotland Pension Fund.

## 2.10 Training

The Pensions Panel has approved a training programme for members of the Pensions Panel and the JIAC in accordance with best practice. Training for members of the Pensions Panel and the JIAC is reviewed on an annual basis by the Pensions Panel.

## 2.11 Communication with scheme members

All correspondence is sent direct to each members home. We work with employers to ensure that we hold the most up to date information and advise members of the importance of notifying a change of address. We provide to members:

- A welcome pack
- Benefit Information on leaving the scheme
- Annual Benefits Statement
- Annual Pensions Update
- Newsletters

The Pension Fund website allows members to access their records and is regularly update with key information.

## 2.12 Communication with employers

A quarterly bulletin is issued to employers within the fund covering both administration and investment issues. Administration meetings will be held with employers twice a year along with the Annual Pension Fund Forum and ad hoc if required.

## 3. Access to information

3.1 Panel papers and minutes for the Pensions Panel are available via the City Council website [www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk)

3.2 The Pension Fund financial statement is contained within the annual Aberdeen City Council Financial Statement and is available on the Council website. [www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk) The statement is prepared following recognised Accounting Codes of practice.

### 3.3 Annual Review

An Annual Review of the Pension Fund is prepared by the Pensions Section including a copy of the Pension Fund financial statement

A hard copy of the review is available from the Pension Section and also available on the Pension Fund website [www.nespf.org.uk](http://www.nespf.org.uk).

A copy of the review is issued to all scheme employers

A summary of the review is provided to all pension fund members

3.4 This Governance Statement and all supporting statements and policies are available on the Pension Fund website [www.nespf.org.uk](http://www.nespf.org.uk)

All governance statements and terms of reference will be reviewed annually by the Pensions Panel and in the event of any change in the management of the Pension Fund. A copy of the governance statements will be available on the website. Quarterly reporting with regard to the governance statements will be made to the Pensions Panel.

### **Governance Policy Statement**

This policy statement.

### **Funding Strategy Statement**

Includes guidance to the Fund Actuary about the periods over which actuarial deficits should be spread and the phasing period for contributory increases.

### **Statement of Investment Principles**

Outlines the North East Scotland Pension Fund investment arrangements.

### **Statement of compliance with the Myners Principles**

Details the Pension Funds compliance with the 10 Myners Principles and is incorporated in the Statement of Investment Principles

### **Training Policy**

Details of the training policy for members of the Pensions Panel and JIAC

### **Communications Policy Statement**

The statement sets out the North East Scotland Pension Fund policy concerning communications with the following people/organisations:

- Members
- Representatives of members
- Prospective members
- Employing authorities

### **Environmental, Social and Governance Statement**

This statement will provide details of the North East Scotland Pension Fund policy as an active and responsible investor.

### **Service Standards**

Outlined are the maximum turnaround times in which we **aim** to take the action indicated.

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All the above documentation is available on the Pension Fund website [www.nespf.org.uk](http://www.nespf.org.uk) and hard copy available on request from the office of the Head of Finance.



## APPENDIX I

### PENSIONS PANEL –TERMS OF REFERENCE

1. Appoint the Convener and Vice Convener of the Pensions Panel.
2. Appoint the Convener of the Joint Investment Advisory Committee.
3. Specify the name of the Fund.
4. Authorise the Convener and Vice Convener of the Pensions Panel to act on behalf of the Panel
5. Prepare, maintain and publish the Governance Policy Statement
6. Ensuring that the Fund complies with the Local Government Pension Scheme Regulations... and The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 and all other legislation governing the administration of the Fund.
7. Preparing, maintaining and publishing the Funding Strategy Statement.
8. Ensure that an actuarial valuation is carried out on a triennial basis and consider the outcome of the valuation. Determine the level of employer contributions necessary to ensure a 100% funding level.
9. Set the investment objective and strategy in light of the Fund's liabilities.
10. Oversee and monitor the investment strategy and investment management of the Pension Fund having considered the recommendations of the Joint Investment Advisory Committee
11. Receive on a quarterly basis a report from the Joint Investment Advisory Committee on their recommendations with regard to the appointment, retention and termination of fund management appointments
12. Ensuring that appropriate arrangements for the administration of benefits are in place.
13. Prepare, maintain and publish the Communications policy.

<b>ITEM PAGE</b>
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14. Prepare maintain and publish the Statement of Investment Principles.
15. Approve the budget and service plan.
16. Ensure that an effective system of internal financial control is maintained.
17. Review the annual report and accounting statement.

## **JOINT INVESTMENT ADVISORY COMMITTEE - TERMS OF REFERENCE**

1. Appoint the Vice Convener of the Joint Investment Advisory Committee.
2. Ensuring that the Fund complies with the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010.
3. To consider the outcome of the triennial actuarial valuation and its impact on the short, medium and long term investment strategy of the Fund.
4. To advise and make recommendations to the Pensions Panel on the investment strategy and investment management of the Pension Fund.
5. Receive reports quarterly from officers and investment managers as to the investment management and performance of Fund and its underlying fund management portfolios.
6. Report quarterly to the Pensions Panel regarding their consideration of the desirability of the appointment, retention and termination of fund manager appointments.
7. To monitor the level of transparency and the implementation of the communication statement by the Pensions Section.

## HEAD OF FINANCE – TERMS OF REFERENCE

Provide the Pensions Panel and JIAC with all relevant information as is required to enable the committees to discharge their responsibilities in relation to the benefit administration and investment of the Pensions Fund

Prepare the budget and service plan

Maintain the system of internal controls

Prepare the annual review and the Aberdeen City Council financial statement of accounts

Manage the triennial and interim actuarial valuations

Manage the provision of FRS17 information on behalf of employers within the Pension Fund

Manage the preparation of the Funding Strategy Statement

Manage the preparation of the Governance Policy Statement

Manage and preparation of the of the Communication Policy Statement

Ensure that the Pensions Service adheres to best practice

### **- In relations to the benefit administration of the Pension Fund**

Monitor developments which affect the administration of benefits

Promote membership of the fund

Manage the admission policy

Collect and reconcile the employers and employee contributions

Pay pensions benefits

Maintain records in relation to the entire membership

Devise and implement training, consultation and communication strategies with employers and scheme members

Manage the AVC arrangements

**- In relation to the investment management of the Pension Fund**

Ensure awareness of the investment management environment and its possible impact on the Pension Fund

With the assistance of external advisors prepare and monitor a strategic investment review of the Pensions Fund at least once every 5 years.

Implement investment reviews and strategic decisions

Manage and prepare the Statement of Investment Principles

Monitor the investment management structure and arrangements with regard to the Statement of Investment Principles

Provide advice to member of the Pensions Panel and Joint Investment Advisory Committee in their role of appointing, retaining and terminating fund manager appoints

Maintain records as that monitor the investment performance of investment management of the Pension Fund

Maintain a record of the Funds Assets

Monitor the security and efficiency of the custodian in order to verify:

The assets security

The custodian's records of the Fund's assets agree with in-house and fund manager records

The custodian's actions are in accordance with the agreement

Make recommendations to the Pensions Panel/Joint Investment Advisory Committee as to investment opportunities

Manage the in-house private equity fund

Manage cash flow

## INVESTMENT ADVISORS – TERMS OF REFERENCE

Provide objective and independent advice designed to meet the requirements of the Pension Fund, the Pensions Panel and the Joint Investment Advisory Committee.

### ASSET/LIABILITY POSITION

1. Assist in the setting and analysis of the fund objective through identifying;
  - The purpose of the fund
  - Its size and expected growth
  - Long term use and likely timescale
  - Liabilities to be covered and risks to be avoided
2. Assist in the development of a disciplined and efficient investment strategy to meet the fund objective.
3. Through analysis of the fund's performance expectations, risks sensitivity and liability profiles, assist in the establishment of a clear and appropriate investment policy benchmark for the fund.
4. Assist in the determination of an appropriate management structure for the fund.
5. Advise on rational benchmarks, targets and risk parameters for individual portfolios and managers.
6. Assist the Panel in the review, selection and ongoing monitoring of Investment Managers.
7. Asset as requested in the preparation and provision of a formal training programme for elected members and officers.
8. Provide ad-hoc advice as may be required

## **FUND ACTUARY – TERMS OF REFERENCE**

1. The Consultant Actuaries will be responsible for preparing the actuarial valuations of the Main Fund and No 2 Fund on a triennial basis.
2. Assistance in preparation of the Funding Strategy Statement
3. Preparation of FRS17 calculations for the various statutory and admitted bodies within the Fund.
4. Calculate employer contribution rates for new employers
5. Calculate bulk transfer values
6. Calculation for individual employers, i.e. windup figures
7. Individual member calculations
8. Provide advice on matters relevant to the administration of the Pension Fund



## **INVESTMENT MANAGERS – TERMS OF REFERENCE**

1. An investment management agreement is signed with each investment manager. In complying with this each portfolio should be managed in accordance with Aberdeen City Council investment objectives and with due regard to the diversification of risk.
2. On a quarterly basis the portfolio manager shall review and report the performance and risk profile of the portfolio.
3. The fund manager will make a formal presentation at least once a year to the Joint Investment Advisory Committee
4. Aberdeen City Council investment restrictions and voting policy should be adhered to at all times.
5. The fund managers are expected to sell investments they do not consider suitable for the Funds at opportune times. They are expected to sell any investments that breach this statement in an orderly manner, in the meantime informing the officials of the Council that this action is being taken.
6. The suitability of any new type of investment must be highlighted by the fund managers to the Joint Investment Advisory Committee or in writing to Aberdeen City Council.
7. The fund managers will notify the Council in writing of any changes regarding the fund management house or persons responsible for the fund which might effect the suitability of the fund manager to manage the fund's assets.
8. Aberdeen City Council instructions must be carried out only with appropriate authority.
9. There must be timely and accurate reporting to Aberdeen City Council as detailed in the individual investment management agreement .
10. Computer systems must be secure and must protect client confidentiality and data integrity.
11. The fund manager must confirm on an annual basis that all fund management activity has been fully reconciled with the records of the global custodian.

## **CUSTODIAN – TERMS OF REFERENCE**

1. A formal agreement is in place with the global custodian
2. The custodian is responsible for the safekeeping of the Funds assets
3. Effected transactions on behalf of the Pension Fund
4. Providing a stock lending service to the fund
5. Processing all income, tax and corporate actions in a timely manner
6. Invest cash in a suitable vehicle to enhance returns
7. Providing regular reporting covering, assets transactions, cash flow etc
8. Provide performance measurement reporting to the Pensions Fund

## ABERDEEN CITY COUNCIL

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COMMITTEE	City Council Budget Management
DATE	9th February 2012
DIRECTOR	Stewart Carruth
TITLE OF REPORT	Common Good Budget –2012/13
REPORT NUMBER:	CG/12/013

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### 1. PURPOSE OF REPORT

This report is to submit, for the Council's consideration, the draft Common Good budget for 2012/13.

### 2. RECOMMENDATION(S)

It is recommended that the Council: -

- a) Approves the Common Good Budget for 2012/13 as detailed in Appendix 1 to this report;
- b) Considers the item referred to the budget process in Appendix 3;
- c) Instructs the Head of Finance to undertake a review of the level of cash balances that should be retained for a long term financial strategy, and report back to Council at an appropriate time;
- d) Instructs the Head of Finance to report back to Council on a proposed 5 year budget, taking account of the cash balance strategy to be adopted.

### 3. FINANCIAL IMPLICATIONS

- 3.1 The Report outlines proposals for the Common Good budget for the financial year 2012/13.
- 3.2 It also provides details of the cash balances held on the Common Good. Given the current economic position of the UK, this is being reviewed in order to identify a medium - long term financial strategy.

### 4. OTHER IMPLICATIONS

- 4.1 If funding is not provided for projects/external organisations then they may not be able to continue their work.

## 5. BACKGROUND/MAIN ISSUES

### Introduction

- 5.1 In preparing a draft Common Good Budget for 2012/13, the strategy approved by the Finance Monitoring Sub-Committee of 24 August 2004 has been applied. The use of CPI as part of the financial strategy to maintain cash balances is currently under review.
- 5.2 A report on the origin, history and purposes to which the Common Good may be used was prepared on 15<sup>th</sup> January 1976, by the then Town Clerk of the City of Aberdeen District Council. The report outlined the following purposes as meeting the required criteria: -
- Upholding the dignity of the City.
  - The prudent management, upkeep and improvement of Council Property which forms part of the Common Good.
  - Safeguarding the corporate rights of the community and defending its interests.
  - Granting of donations to public institutions or charities, providing it is in the interests of the general public of the city.
  - Any other purpose, which is in the bona fide and reasonable judgment of the Council, is for the good of the community as a whole or which the inhabitants at large may share.
- 5.3 It was also outlined that the prime purpose of the Council is to ensure that the Common Good is prudently conserved.
- 5.4 In addition, recent practice has excluded any activity from receiving assistance from the Common Good for which Aberdeen City Council or any other public body has a statutory duty to support.

### Draft Budget 2012/13

- 5.5 In setting the Common Good budget, appropriate input has been provided by external bodies supported by the Common Good and the various officers responsible for the different expenditure and income lines.
- 5.6 The budget for 2012/13 is provided at **Appendix 1**. In building these figures the following broad assumptions have been made:
- Staffing cost rises have not been included in the budgets which is consistent with the assumptions used in the General Fund.
  - Average interest rates reflect the projections currently being made enabling a 1.5% return on investments for the financial year ending 31 March 2013.

- Rental income is based on projections provided by Asset Management, Enterprise, Planning & Infrastructure.

5.7 Based on the figures attached it can be seen at Appendix 1, subject to review, that the balance on the Common Good fund is estimated to be £6m by 31<sup>st</sup> March 2013.

### **Projected Out-turn 2011/12**

5.8 In order to project the cash balance position for the period 2011/12 to 2012/13 it has been necessary to review the estimated cash balances as at 31 March 2012. Taking account of current expenditure levels and expected expenditure for the remainder of the year the forecast figure for Cash Balances as at 31 March 2012 is currently £6.2m as detailed in Appendix 1.

5.9 The favourable movement of £578K comparing budget to out-turn is due to income from properties and estates being higher than expected, and also due to the delay in undertaking the work at the Kepplestone/Kingswells stabling.

### **Draft Budget 2012/13**

5.10 The attached Appendices 1 and 2 provide detailed information in regard to proposals for the Common Good Draft Budget for 2012/13, along with estimated out-turn results for 2011/12 compared to the budget position for 2011/12.

5.11 The draft 2012/13 Budget shows a projected net expenditure of £260,000.

### **Cash Balances**

5.12 This report also provides details of the estimated cash balances which will be held on the Common Good. Based on the budget projections for 2012/13 there are projected cash balances of £6m as at 31 March 2013.

5.13 It is recommended that the strategy for 2012/13 should be to limit expenditure to a level which will allow for working balances to be maintained to a point whereby two years' worth of Common Good expenditure could be met if required. Current expenditure levels are £2.7m, therefore cash balances require to be retained at a minimum level of £5.4m.

5.14 It is the duty of the Council as trustees of the Common Good to ensure that the Cash Balances are maintained, and the Common Good is preserved for future generations.

5.15 As can be seen in Appendix 1 the Common Good Fund is in a deficit position for 2012/13. The reason for this is that long-term commitments now exceed income levels as a result of inflationary pressures and the addition of new commitments over time. However, given that the 2012/13 budget contains items of a non-recurring nature, coupled with the recommendation for the Head of Finance to provide a 5 year budget, projections show that this is viable given the level of cash balances currently available.

## 6. IMPACT

6.1 It is essential that the value of the Common Good is preserved in such a way that it continues to be able to support the wide range of artistic and other ventures it presently does, in the long term.


## 7. BACKGROUND PAPERS

None

## 8. REPORT AUTHOR DETAILS

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**Common Good Fund Budget (Appendix 1)**

DRAFT

Note		2011/12 Budget £'000	2011/12 Out-turn £'000	2012/13 Budget £'000
	<b>General Properties/Estates</b>			
1	Insurance Costs	2	2	2
2	Repairs and Maintenance	24	24	24
		<u>26</u>	<u>26</u>	<u>26</u>
	<b>Other Expenses</b>			
3	St Nicholas Carillon	6	6	6
4	Printing and Other Sundries	7	2	3
5	Official Catering	17	17	17
		<u>30</u>	<u>25</u>	<u>26</u>
	<b>Donations, Grants, Contributions</b>			
6	Aberdeen Citizen's Advice Bureau	266	266	266
7	Funding - Twinning Activities	137	137	137
8	Contributions to Trusts & Festivals	325	325	325
9	Techfest	37	37	37
10	Satrosphere	41	41	39
11	Bulawayo Trust	45	45	45
12	Gomel Trust	8	8	8
13	Mary Garden Prize	2	2	2
14	Quincentenary Prizes Etc.	3	3	3
	<b>Stage 1 Agreement -</b>			
15	Aberdeen Performing Arts Contribution	75	75	75
16	Aberdeen Safer Community Trust	57	57	57
17	Youth Activities small grant funding	50	50	50
18	Castlegate Arts Rent Grant	8	8	8
19	Events Funding	50	50	58
20	Duthie Park Project	0	33	136
21	Lemon Tree Rent	40	40	40
		<u>1,144</u>	<u>1,177</u>	<u>1,286</u>
	<b>Promoting Aberdeen</b>			
22	Hospitality for Children and Community Centres	4	4	4
23	Civic Support	291	302	293
24	Christmas Illuminations and Festivals	213	213	213
25	Entertainment for Elderly/Disabled Citizens	195	195	195
26	Older Persons Development Officer	17	17	17
27	Aberdeen City Promotions	165	140	165
28	Incidental Promotional Expenditure	20	12	20
		<u>905</u>	<u>883</u>	<u>907</u>
	<b>Other Expenditure</b>			
29	Archivist Unit	166	158	170
30	Central Support Services	152	152	152
		<u>318</u>	<u>310</u>	<u>322</u>
	<b>Other Projects</b>			
31	Home Safety Check Scheme	71	71	71
32	Charity Shop	13	13	13
33	Community Safety Initiatives	2	2	2
		<u>86</u>	<u>86</u>	<u>86</u>
	<b>Other Recurring Expenditure</b>			
34	Civic Gift Fund	18	18	18
35	Lord Lieutenancy and other duties	7	7	7
36	Display of Flags and Regimental Colours and Armistice Day Expenses	6	6	6
37	Picture Loan Scheme	15	15	15
		<u>46</u>	<u>46</u>	<u>46</u>

<b>Non Recurring Expenditure Items</b>				
38	Battle of Harlaw	10	10	0
39	Lord Provost Portrait	10	10	0
40	Civic Chain Repairs	5	5	0
41	Steading at Kepplestone & Kirkhills Farm	127	0	127
42	2012 Olympic Torch Relay	0	0	30
43	Diamond Jubilee	0	0	50
44	BP Big Screen	0	0	10
45	Maintenance of City Parks			20
		152	25	237

**TOTAL EXPENDITURE**

**2,707      2,578      2,936**

46	Income from Properties and Estates	(2,330)	(2,779)	(2,520)
47	Interest on Invested Funds	(65)	(65)	(95)
48	Lands of Skene/Torry (Share of Surplus)	(60)	(60)	(60)
49	Burgesses of Guild and Trade	(1)	(1)	(1)

**TOTAL INCOME**

**(2,456)      (2,905)      (2,676)**

**Net (Surplus)/Deficit**

**251      (327)      260**

50 **Movement in Reserves**

	Balance as 31 March 2011	(5,950)		
	Estimated Movement in 2011/12	(327)		
	<b>Estimated Balance 31 March 2012</b>	<b>(6,277)</b>	<b>(6,277)</b>	
	Net Budget (Surplus)/Deficit 2012/13			260
	<b>Projected Balance at 31 March 2013</b>			<b>(6,017)</b>



## **Appendix 2**

### **Notes to accompany Common Good Budget**

#### **Note 1**

This budget is used to insure properties owned by the Common Good Fund.

#### **Note 2**

This is a budget for Repairs and Maintenance costs for properties owned by the Common Good Fund.

#### **Note 3**

This represents a funding contribution for the Bell Ringer at Carillon.

#### **Note 4**

This budget is for items such as printing of the Town House Brochure and promoting the Office of the Lord Provost.

#### **Note 5**

This budget is to provide refreshments during official City business.

#### **Note 6**

This represents core funding for Aberdeen Citizen's Advice Bureau.

#### **Note 7**

This funding is for the provision of financial and organisational support to people, communities and organisations in the City that want to get involved in twin city projects, and also contributes to the costs of a twinning officer.

#### **Note 8**

This is a contribution towards Aberdeen City Council's grants to various external organisations such as Aberdeen International Youth Festival, Lemon Tree, Garthdee Alpine Sports and Sport Aberdeen.

#### **Note 9**

This represents a contribution towards the running costs of the City's annual Techfest festival.

#### **Note 10**

This is a grant to cover the cost of Satrosphere's rental from Aberdeen City Council.

#### **Note 11**

This is a contribution towards the Aberdeen Bulawayo Trust, which provides support to people in Bulawayo, primarily focusing on the development of self sustaining market gardens and the repair and maintenance of homes and shelters.

Note 12

This is a contribution towards the Aberdeen Gomel Trust, which addresses and helps to resolve the medical, nutritional, social and spiritual problems experienced by the people of Gomel.

Note 13

This is funding for the Mary Garden Prize, presented as part of the Aberdeen International Youth Festival.

Note 14

This budget covers 3 x £1,000 prizes and catering costs for the Quincentenary Prize, awarded annually since 1995 to commemorate the 500<sup>th</sup> Anniversary of King's College.

Note 15

This provides matched funding for Aberdeen Performing Arts per an agreement with Scottish Arts Council.

Note 16

This is a budget is core funding for Aberdeen Safer Community Trust.

Note 17

This is funding for the ACC youth activity small grants scheme. This scheme offers young people opportunities to contribute to their own communities and to the life of the city.

Note 18

This is a budget to cover a rental grant for the Arts Centre

Note 19

This is funding for the City Events team to organise events such as fireworks display, Tartan Day etc.

Note 20

This is a contribution to the improvement project at the Duthie Park.

Note 21

This is a budget to cover a rental grant for the Lemon Tree.

Note 22

This is a small budget for events held at the Council's leased community centres.

Note 23

This is a budget for the Civic Support team, incorporating Lord Provost's secretariat, Town Sergeants and civic transportation.

Note 24

This is a budget for the cost of the Christmas illuminations.

Note 25

This is a budget to cover costs of administering and delivering the 50+ development programme and entertainment for the elderly and disabled.

Note 26

This is a budget to cover the salary costs of a development officer to work with elderly citizens.

Note 27

This is a budget to cover the cost of hosting Civic receptions and ancillary costs to promote the City of Aberdeen throughout the world.

Note 28

This is a budget for promotional civic hospitality.

Note 29

This is a contribution towards the costs of running the City Archive Unit.

Note 30

This is a budget to cover the allocation of central support costs such as finance, HR and office accommodation.

Note 31

This is funding for the Home Safety Check Scheme run by Aberdeen City Council.

Note 32

This is a budget to cover the rental and running costs for the charity shop in George Street.

Note 33

Funding for the Personal Alarms distributed on our behalf by Aberdeen Safer Community Trust.

Note 34

This is a budget for the Civic Gift Fund which buys gifts on behalf of the City of Aberdeen.

Note 35

This is a budget for the Lord Lieutenants, to cover expenses associated with their duties.

Note 36

This is a budget for the cost of the Armistice Day celebration including British Legion soup and sandwich lunch after the parade. Also includes £1,000 for banner displays.

Note 37

This is a budget to cover funding for pictures loaned from the Art Gallery to be displayed in other Council buildings.

**Items 38 to 45 are one-off items of expenditure and therefore non-recurring.**

Note 38

This is a budget for events arranged to commemorate the 600<sup>th</sup> anniversary of the Battle of Harlaw.

Note 39

This is a provision for a portrait of the Lord Provost, due to be unveiled in June 2012.

Note 40

This is a provision for repairs to the Civic Chain.

Note 41

This is a budget for the rebuild of a steading at Kepplestone and Kirkhills Farm. The buildings have now been in a poor condition for sometime and are long overdue for replacement.

Note 42

This is a contribution towards the cost of the 2012 Olympics torch relay, as approved by Finance & Resources Committee in December 2011.

Note 43

This is a contribution towards the cost of events to celebrate the Queen's Diamond Jubilee in 2012, as approved by Finance & Resources Committee in December 2011.

Note 44

This is a budget for an additional BP Big screen event to support the 2012 Olympics, as approved by Finance & Resources Committee in December 2011.

Note 45

This is a contribution towards required infrastructure works at the city's parks. A detailed investigation and report is being prepared by the Head of Finance and the Head of Legal and Democratic in order to determine the full scale of the funding requirements.

Note 46

Around 100 properties have registerable leases on land owned by the Common Good. In addition to this, the Common Good owns land at Brimmond Hill, Hazlehead, Hilton, Hillhead of Pitfodels, Kincorth, Kepplehills, Tullos and Mastrick, all of which generate income for the Common Good.

Note 47

This is a budget to cover interest received on invested funds.

Note 48

The Common Good owns 51% of the Lands of Torry Trust and 30% of the Lands of Skene Trust. These trusts earn income in rents and interest from investment.

Note 49

This is a budget to represent income from admission fees for Burgesses of Guild and Trade.

Note 50

This line represents the movement in the Common Good's cash reserves.

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**Item to be referred to the budget process      Appendix 3**

2012/13  
£'000

**Non-Recurring Expenditure**

AIYF Banners

\_\_\_\_\_ Banners are to promote the 40th Anniversary of the  
Aberdeen International Youth Festival; however they  
15 can be used annually thereafter.

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Council
DATE	9 February 2012
DIRECTOR	Stewart Carruth Director, Corporate Governance
TITLE OF REPORT	Non Housing Capital Programme 2012/13 – 2014/15 Budgets
REPORT NUMBER:	CG12/014

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### **1. PURPOSE OF REPORT**

- 1.1 The paper sets out a 3 year proposed funded capital programme (and revenue financed projects) that can be accommodated within the 2012/13 – 2014/15 budget process for approval.

### **2. RECOMMENDATIONS**

- 2.1 It is recommended that:
- a) Council approve the 3 year proposed funded capital programme contained within the report (and revenue financed projects) that can be accommodated within the 2012/13 – 2014/15 budget process for approval; and
  - b) Council instruct officers to bring a report to a suitable meeting of Council on the alternative funding sources identified within this report with a full options appraisal of each stream. It is likely that such an appraisal will also look at a combination of these sources as funding mechanisms going forward.

### **3. FINANCIAL IMPLICATIONS**

Revenue and capital implications for current and future years as well as proposed sources of funding are detailed in the main report. The programme within this report is based upon a level of capital financing over the next 3 years including approximately £25m to ensure the Capital Fund is still in a position to facilitate the programme in both the medium and long term.

### **4. OTHER IMPLICATIONS**

- 4.1 Failure to invest adequately in the Council's asset base may lead to the erosion of those assets and their value. It may also reduce the effectiveness and efficiency of service delivery and furthermore lead to the Council not complying with current health and safety. The Council must continue to exercise and maintain close budgetary control to ensure it operates within the capital control mechanisms laid down by the Scottish Government in relation to the Prudential Code.

## 5. BACKGROUND/MAIN ISSUES

### Background

- 5.1 The Council in February 2011 approved a capital programme for 2011/12 and 2012/13 with an indicative programme for a further two financial years of £17.7 million and £17.5 million respectively. This was to address the Council's strategy to reduce the overall level of capital financing and to move to a position whereby the programme was funded in year through the use of capital grant and capital receipts – that is, to have no unsupported borrowing.
- 5.2 The current settlement figures provided by the Scottish Government indicate that the level of grant for 2012/13 will be reduced by approximately £2.6 million in 2012/13 and a further £1.2 million in 2013/14 before being restored with an increase of £7.6 million in 2014/15. Clearly this has major implications for the Council in delivering its strategy around the capital programme.
- 5.3 Given the significant work that has been undertaken to produce a 5 Year business plan for the Council's General Fund officers have been working, in the first instance, on producing **a 3 year funded capital programme** in order that this can dovetail with the revenue budget and subsequent 5 year business plan.
- 5.4 The primary element of this process was to produce a funding package that would facilitate a 3 year programme which was affordable over this period. Therefore, the programme is **no longer predicated on annual capital receipts**, rather it is constructed on a level of capital financing over the 3 years.
- 5.5 This has been achieved through the use of the Capital Fund to smooth potential funding peaks and troughs. A target level of capital financing over the 3 year period is therefore set at **approximately £25 million** to ensure the Capital Fund is still in a position to facilitate the programme in the medium and long term.
- 5.6 This level of financing excludes any capital grant award from the Scottish Government although this has been factored into the overall programme for the 3 year period. Given the reduction in grant funding available this has proved exceptionally challenging and following assessment of strategic needs and prioritising projects the programme is recommended to be increased with no detrimental impact on the revenue position as set out at the 14 December Council meeting to consider the General Fund budget.
- 5.7 It is therefore critical that if elected members wish to add any additional capital project into the capital programme, one or more of the projects shown in the table below would have to be removed. The alternative to this would be to find additional revenue savings within the General Fund budget through a review of the Priority Based Budget Options presented to Committee in December 2011.

### **Indicative funding levels**

5.8 In looking at the level of indicative funding levels for future years there are effectively five traditional elements that primarily allow the programme to be financed. These are:

- Capital Grant;
- Capital Receipts;
- Revenue Funding;
- Unsupported Borrowing; and
- Use of external grants and funds

5.9 Details have already been provided on the position with grant funding for future years. Given this picture it requires the other funding mechanisms to be addressed for some scope to deal with the shortfall in available grant to maintain a reasonable programme for future years.

### **Capital Receipts**

5.10 Capital receipts are clearly dependent on third parties being both willing and able to purchase existing assets from the Council. Often the timing of these is such that the programme needs to be accelerated or dampened depending on the level of receipts that have been received in any financial year.

5.11 An alternative approach would be to address the use of capital receipts through the use of the Capital Fund, such that a target level of capital receipts is required over a 3 year rolling period. This removes the uncertainty of the timing of capital receipts in any given year and rather allows a more medium term approach to be put in place in line with the Council's 5 year business plan.

5.12 This proposal would set out a target level of funding over the 3 year period from the Capital Fund of approximately £25 million. The management of the financing of the programme would then be dealt with as part of the budgeting and year end process whereby the impact of failing to be able to draw down a required level of receipts would be negated by the short term borrowing position that the Council would undertake (and subsequent principal/interest charge back to the Capital Fund to restore the General Fund back to its position if the receipts had been achieved). Information on the management of Capital Receipts would still be reported to the Finance & Resources Committee as part of the Capital Programme.

### **Revenue Funding**

5.13 The General Fund makes a provision annually for items charged to the Capital Account which in reality is a revenue charge as defined by the relevant Accounting Code of Practice at the time. Close management of this over recent years has resulted in very little use of this provision being required for 2011/12.

- 5.14 The proposal here would be to transfer the Corporate ICT rolling budget into the revenue account (at no additional cost to the revenue account other than that which is currently budgeted for) and therefore allow this “call” on the programme to be removed. The budget would be utilised to continue to meet the corporate priorities identified within each Service area and would be managed through Corporate Governance on behalf of, and in conjunction with, Services.
- 5.15 Given the current Alternative Delivery Model being progressed within Corporate Governance, this transfer would also facilitate a much more transparent position in to the level of investment made by way of ICT at present. A similar arrangement is being explored for the Hydrogen Buses and City Broadband Projects.

#### **Unsupported Borrowing**

- 5.16 Given the position of the programme in 2011/12 and the projected level of under spend, Services have indicated the need to carry forward unused sums from 2011/12 into 2012/13. Given the General Fund is currently budgeting for full spend in 2011/12 there is clear scope to undertake additional borrowing in 2012/13 (in essence deferring borrowing from 2011/12 into 2012/13) and therefore having no impact on the revenue position of the Council to that which is budgeted for at the present time.

#### **Use of External Grants and Funds**

- 5.17 The Council will continue to pursue external funding from third party sources such as European Funding, Heritage Lottery etc for specific projects.
- 5.18 However, as mentioned above, the Capital Fund would also now be utilised to “hold” capital receipts which would be released to fund the programme to the agreed level of investment for the next 3 financial years.
- 5.19 The Capital Fund currently has usable funds and these have been modelled into the 3 year capital programme to demonstrate that there is sufficient scope to allow no capital receipts in 2012/13 without having any financial impact on the General Fund.
- 5.20 Finally, due to a change in accounting regulations, the General Fund and the Housing Revenue Account can no longer be “charged” for the transfer of assets between them. This would result in each of them potentially being left in an inequitable position.

- 5.21 It is therefore **recommended that each account should be “charged” for the acquisition of assets between one another through alternative funding mechanisms such that each account is left in a fair position.** As such any assets transferring from one account to another would see a charge for that asset by way of a revenue contribution to that account.
- 5.22 To put this in context, where the HRA “purchases” an asset from the General Fund the HRA will make a revenue contribution back by way of its reserves. Conversely where the General Fund purchases an asset from the HRA the General Fund (through the Capital Fund) will meet an amount equivalent to the purchase price of capital financing charges.
- 5.23 The above mechanism ensures equity and fairness between the two accounts with both being left in an equitable position from this mechanism. Any transfers would be at open market value.

#### **Indicative Capital Programme**

- 5.24 Having reviewed the revenue budget and examined the capital bids received it has enabled the Council to move the programme to a funded three year position which means that the Council can reasonably spend £78 million over the three year period. This would be split as follows:

2012/13	£31.1 million	(previously £26.6m)
2013/14	£24.4 million	(previously £17.7m)
2014/15	£22.6 million	(previously £17.5m)
<b>TOTAL</b>	<b>£78.1 million</b>	

- 5.25 The table above shows that the Council could invest £78.1 million over the next 3 years through the funding mechanisms outlined within this paper. Such a programme would need to be phased over the 3 years and this is illustrated in the table below and broken down, for convenience, into the next 3 financial years.
- 5.26 The above programme will be financed by way of the Scottish Government Capital Grant annually and through the utilisation of the capital financing. While the above position will lead to a small amount of borrowing in 2012/13 (approximately £3 million) this can be accommodated due to the anticipated under spend for 2011/12.
- 5.27 In essence, the Council’s total debt will be lower than anticipated at 31 March 2011 and will reduce further during 2012/13 such that the position at the end of each of the next 4 financial years means that the Council will meet its debt outstanding targets.

5.28 Given the above position it would mean that the programme could be increased compared to that previously provisionally approved. The table below provides the proposed phasing of the 3 year programme including the individual projects recommended by officers and which meet the Council's strategic objectives:

Project Description	2011/12 Carry Forward	Proposed Budget 2012/13	Proposed Budget 2013/14	Proposed Budget 2014/15
	£'000	£'000	£'000	£'000
<b>Projects Continued from 11/12</b>				
Western Peripheral Route (Net)*	0	4,400	1,000	600
NESTRANS – Capital Grant	0	960	882	1,295
Ness Landfill Restoration	0	4,000	0	0
Hill of Tramaud Landfill – Change of Law Costs	500	500	0	0
Corporate Office Accommodation	0	1,000	0	0
<b>Carry forward - legally committed</b>				
Land Acquisition Contingency	550	650	0	0
3R's Furniture, Fittings & Equipment	50	50	0	0
Data Centre Move	223	223	0	0
Integrated Drugs Service	650	650	0	0
Duthie Park & Winter Gardens Replacement Greenhouses	4	4	0	0
<b>New Projects</b>				
Marchburn House	0	912	0	0
Raeden Centre	0	771	5,722	6,393
Victoria House	0	1,271	1,272	0
Hydrogen Buses	0	400	400	400
City Broadband	0	1,000	1,000	0
School Estate Strategy (Riverbank/Newhills/Bucksburn)	0	250	1,000	tbc
<b>Rolling Programmes</b>				
Police – Capital Grant	790	1,497	651	954
ICT Rolling Programme	0	0	0	0
Corp Property Condition & Suitability Programme	0	7,400	7,400	7,400
Planned Renewal & Replacement of Roads Infrastructure	0	3,748	3,768	3,659
Cycling Walking Safer Streets Grant	0	252	232	341
Private Sector Housing Grant	0	1,121	1,032	1,512
	<b>2,767</b>	<b>31,059</b>	<b>24,359</b>	<b>22,554</b>

\* This includes necessary expenditure in ancillary projects, A96 Park & Ride and Third Don Crossing to ensure that both projects are at a stage that, if appropriate, they can be included within the overall AWPR Programme.

5.29 In accordance with the prioritisation assessment method approved by the Council in 2010 a range of projects, short listed by services, have been scored and ranked. The whole life cost of a project is used as part of this assessment. The outcome of this review has been scrutinised by the Corporate Asset Group and has identified the additional projects shown above. The financial impact of the above programme is contained within the revenue budget, however the final detailed funding mechanism will be implemented over the 3 year funded programme life.

5.30 Appendix 1 shows an extract of the bids received from services that have been assessed by the Corporate Asset Group.

Victoria House

5.31 This project is being explored through two potential avenues. These are the Council undertaking the project themselves or through the investment vehicle of HUB Co. In undertaking this project the optimal method of financing will have to be identified to demonstrate best value and the project would then be delivered through this mechanism.

5.31.1 If the preferred option is through the Council undertaking this itself then the project would be incorporated within the above programme and can be financed due to the movement explained in this paper on the Capital Fund and the Housing Revenue Account.

5.31.2 If the preferred option is through HUB Co. then this will form part of the General Fund budget and will be met through reduced capital financing charges.

Hydrogen Buses

5.32 This project will be financed through the additional capital financing charges that will have been saved through the 2011/12 out-turn and will formulate part of the EP&I revenue budget for 2012/13 subject to approval within the budget process. This project forms part of a wider project and is included within the capital programme to provide the necessary financing requirement within the 3 year programme.

City Broadband

5.33 This project will be financed through the additional capital financing charges that will have been saved through the 2011/12 out-turn and will formulate part of the EP&I revenue budget for 2012/13 subject to approval within the budget process.

School Estate Strategy

- 5.34 This budget will facilitate the conclusion of the school estate strategy for Primary Schools and allow an assessment on the future roll provision for Riverbank. It will also allow officers to enter into negotiations with the Scottish Futures Trust on how the Council will be able to access ear marked funding from the SFT of between £4-5 million for Newhills/Bucksburn. Once this has been concluded the final profiling of spend can be identified and incorporated within the previous table. Please note that the intention is to have this detail for the Committee report to Council on 9 February 2012.

Corporate ICT Rolling Programme

- 5.35 This project previously was funded from the above programme. The General Fund makes provision for purchases within the capital programme that would normally be seen as a revenue item and as previously mentioned this is no longer required and could therefore be utilised to fund this expenditure going forward.

**Projects Currently Not Listed but Active**

Third Don Crosssing

- 5.36 At this point in time confirmation of the Compulsory Purchase Order is still awaited by the Council following the Public Inquiry in November/December 2011. Officers have been progressing discussions with Transport Scotland as agreed by the Council in February 2011 to assess the possibility of including this project within the AWPR project. With the decision of the Court of Appeal expected within weeks greater clarity around the future of both projects will provide greater clarity of the timing and phasing of this project.
- 5.37 With an estimated cost of £15.8M for design, procurement and construction, the timing of inclusion within the overall programme would need to be reviewed when the outcome of the Inquiry is known. In the interim, requests for funding of land purchase and officer time to progress with steps to ensure discussions with Transport Scotland can be constructive would be found from within the current capital spending limits.

**Alternative Sources of Financing**

- 5.38 Looking at alternative financing methods for the capital programme the following items have been identified as potential mechanisms which could potentially be utilised to finance future investment.
- 5.39 Following the Finance and Resources Committee motion from Councillor Boulton to examine the possibility of utilising a Bond Issue an exercise was undertaken to identify all possible alternative funding sources. The alternatives are covered below and explain the different sources that have been identified followed by a table showing the main advantages and disadvantages of each.



### **Public Works Loan Board (PWLB)**

- 5.40 This is the traditional method of raising capital finance from, in effect, the United Kingdom Government through the Public Works Loan Board. This is a traditional fixed term loan with the principal sum repayable on the date of maturity.

### **Bond**

- 5.41 This is the sale of bonds to the markets. A Bond is akin to a share issue whereby the Council issues a Bond and agrees to pay a premium on this Bond for a set period of time before then buying the Bond back at face value.

### **Asset Utilisation (Sale of commercial buildings)**

- 5.42 This examines the possibility of whole scale disposal of assets to receive either an annuity or up front large capital payment from a third party who would then manage the assets for a given period of time.

### **Capital receipts**

- 5.43 Capital Receipts are the traditional method of disposing of assets for a capital payment which is then used to finance further capital investment.

### **External Financing**

- 5.44 External Financing will examine the possibility of setting up external vehicles that can pump prime investment for one off or specific types of projects. This would include Tax Incremental Financing and Business Improvement Districts.

### **PFI/PPP**

- 5.45 This method would look at, in effect, methods of utilising third parties to build or construct assets and then "lease" them back to the Council by way of a Unitary Charge such that the asset would then revert back to the Council after a given period of time.

### **Capital Fund**

- 5.46 This was dealt with above and will be utilised to hold capital receipts as they are received and released to finance the programme annually.

### **Repairs and Maintenance**

- 5.47 This would examine the integration of the capital and revenue investment in assets to see if there is any potential for closer harmonisation of more cyclical works being undertaken in a more proactive way.

### **Insurance Fund**

- 5.48 The Insurance Fund is an alternative source of funding but has relatively low level of monies available.

### Revenue Financing

- 5.49 The Council could examine the possibility of transferring capital budgets into the revenue account over a period of time as the level of capital financing charges fall (as there is a reduction in the overall capital debt outstanding due to the Council not undertaking any new capital borrowing).

### Common Good

- 5.50 The Common Good is currently undergoing a best value review and following this the possibility of redirecting certain capital projects toward the Common Good could be explored.

### Pension Funds

- 5.51 The Council could explore closer working with Pension Funds (and specifically the North East Scotland Pension Fund) with a view to identifying mutually beneficial projects that could be financed by the Fund which in turn would receive an agreed rate of return.

### Council Tax 2<sup>nd</sup> Homes

- 5.52 Under the Council Tax (Discount for Unoccupied Dwellings - Scotland) Regulations 2005 the Council has discretion to set the level of discount; the specified maximum level of discount is 50%, and the minimum is 10%. Aberdeen City Council presently allows the minimum discount. The Scottish Government has indicated that it may bring forward legislation to amend these discount rates to allow Councils to charge an addition levy on long term empty properties.

### Developers Contributions

- 5.53 The Council is investigating better use of Developers Contributions made available through Planning Gain, and more actively link the funding to its strategic priorities and projects. Contributions are typically time-limited and ring-fenced by the planning consent to specific locations or types of eligible expenditure e.g. Aberdeen University's funding of the introduction of the Old Aberdeen Controlled Parking Zone, as part of the planning approval for the new University Library.

Mechanism	Advantages	Disadvantages
PWLB	Fixed Rate; Easily Accessible; Debt Restructuring.	Difficult to break periods; Tied to prevalent market rates.
Bond	Potentially cheaper than other sources; Single large draw downs at one time.	Administrative burdens to maintain; Expensive to set up; Dependant on market/credit ratings.
Asset Utilisation	Improved infrastructure within the City; Improved NDR base; Up front capital payment.	Loss of potential revenue income; Loss of control of asset development.

Capital Receipts	Reduced level of capital debt; Shrinks the Council's asset base with revenue benefits.	Shrinking level of assets available; Reliance on private sector to purchase; Potential loss of revenue income; Susceptible to prevalent market conditions.
External Funding	Increased NDR base to meet Government targets; Self financing projects with limited or no revenue impact.	Will tend to be for more longer term capital planning; Could conflict with other schemes (such as TIF/BRIS/BID).
PFI/PPP	Whole Life cycle costing included in price; Quick delivery of projects.	Generally expensive; Design changes are expensive; Contract will normally inflate above inflation.
Repairs and M'ntnce	Reduces reliance on capital financing required; Closer tie with revenue and capital repairs.	Limited scope to increase revenue funding; Lack of transparency on asset improvements.
Insurance Fund	No impact on capital debt; Utilises fund for which there is limited use.	Small reserves available; Statutory requirements would have to be met to utilise the fund.
Revenue Financing	Reduces the level of debt outstanding; Greater flexibility in scope of works.	Limited scope for increasing funding due to revenue cost pressures; Possible lack of transparency around projects.
Common Good	Ensures capital investment is for the benefit of Aberdeen; Easily accessible, potentially to meet one off projects.	Restrictions on usage; Financial planning required to maintain cash balances.
Pension Funds	Generally cash rich institutions; Fixed rate of return; Easily accessible.	Council is tied to long term returns; Generally high returns required.
Council Tax 2 <sup>nd</sup> Homes	Funding can be tied to strategic developments.	Limited scope of works can be done; Limited by statute.
Developers Contribution	Funding can be tied to strategic Developments.	Limited scope of works can be done; Limited by statute.

## **Conclusion**

- 5.54 The paper sets out a 3 year proposed funded capital programme (and revenue financed projects) that can be accommodated within the 2012/13 – 2014/15 budget process for approval.
- 5.55 While it is assumed the programme for this period will be approved, officers will bring a report to a suitable meeting of Council on the alternative funding sources above with a full options appraisal of each stream. It is likely that such an appraisal will also look at a combination of these sources as funding mechanisms going forward.

## **6. IMPACT**

- 6.1 Corporate – the capital programme encompasses projects which will link in one or several ways to the Community Plan, Single Outcome Agreement, Corporate and Individual Service Plans and Vibrant, Dynamic & Forward Looking.
- 6.2 Public – this report will be of interest to the public as it demonstrates financial performance

## **7. BACKGROUND PAPERS**

Local Government Finance Circular 12/2011

## **9. REPORT AUTHOR DETAILS**

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Service	Priority Within Service	Project Title	Stage Reached	Outcome
H&E	1	Victoria House Redevelopment	Business Case, Whole Life Costing and Priority Scored.	Not included in Capital programme. Alternative funding being considered.
SC&W	1	Replacement of Marchburn Children's Home	Business Case, Whole Life Costing and Priority Scored.	To be funded through Capital.
EC&S	1	Provision of Care For Children With Additional Complex Needs (Raeden)	Business Case, Whole Life Costing and Priority Scored.	To be funded through Capital.
EP&I		Hydrogen Buses	Business Case and Priority Scored.	Not included in Capital programme. Alternative funding being considered.
EP&I		City Broadband	Business Case and Priority Scored.	Not included in Capital programme. Alternative funding being considered.
EC&S	2	Bucksburn / Newhills School Amalgamation	Business Case, Whole Life Costing and Priority Scored.	Below available Capital funding level.
EP&I	M	Third Don Crossing	Business Case and Priority Scored.	Below available Capital funding level.
EC&S	3	Provision of Wireless Networking	Business Case and Priority Scored.	Below available Capital funding level.
CG	3	Upgrade and Development of Office Productivity technology.	Business Case and Priority Scored.	Below available Capital funding level.
EC&S	4	Riverbank Primary School Extension	Business Case and Priority Scored.	Below available Capital funding level.
EP&I	2	Building Energy Management Systems Replacement	Business Case, Whole Life Costing and Priority Scored.	Below available Capital funding level. To be included within the Condition & Suitability Programme.
EP&I	1	A96 Park & Ride	Business Case.	Insufficient funding available to progress further.
EP&I	3	Bus Lane Decriminalisation	Business Case and Whole Life Costing.	Insufficient funding available to progress further.
CG	1	Development and Implementation of Channel Shift Strategy	Business Case.	Insufficient funding available to progress further.
H&E	2	Procurement of Spectrometer	Business Case and Whole Life Costing.	Insufficient funding available to progress further.
H&E	2	Hazlehead Park Repairs	Business Case.	Insufficient funding available to progress further.

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Council
DATE	9 February 2012
DIRECTOR	Stewart Carruth
TITLE OF REPORT	General Fund Revenue Budget 2011/12 and indicative 2012/13 to 2015/16 Budget
REPORT NUMBER:	CG12/015

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### 1. PURPOSE OF REPORT

- 1.1 To provide elected members with information to allow the setting of the Council Tax levels for the financial year 2012/13 as well as provisional Council Tax levels for the financial years 2013/14 and 2014/15. In turn, this will allow a capital programme for 2012/13 to be set as well as a provisional programme for future years.

### 2. RECOMMENDATION(S)

- 2.1 It is recommended that the Council:

- a) Approve the budget as attached at Appendix 1 of this report;
- b) Agree to the budget amendments set out in Appendix 2 of this report;
- c) Note the position with reserves and provisions in Appendix 3 of this report;
- d) Approve the Council's 5 Year Business Plan contained within Appendix 4 of this report;
- e) Note the Priority Based Budget savings approved at Council on 14 December 2011 attached as Appendix 5 of this report (summarised in Appendix 6);
- f) To agree the recommendation by the Head of Finance to retain working balances of 2.5% or approximately £11 million;
- g) Freeze Council Tax levels for the financial year 2012/13 at 2011/12 levels; and
- h) Agree to the terms set out in the letter attached as Appendix 7 from the Cabinet Secretary for Finance, Employment and Sustainable Growth.

### 3. FINANCIAL IMPLICATIONS

- 3.1 The Council in anticipation of setting its budget for 2012/13 continued to develop the Priority Based Budgeting exercise undertaken for the 2011/12 budget process that reviewed all costs currently being incurred across Council services over a 5 year period.
- 3.2 This review led to a second tranche of Service Options being identified by officers for consideration by elected members at the Council meeting on 14 December 2011. The Council accepted a number of these options at this meeting and these are contained within Appendix 5 of this report.
- 3.3 In setting the budget for 2012/13 the Council needs to recognise the need to have sufficient working balances to meet any unforeseen expenses during the financial year.
- 3.4 In being prudent the Head of Finance recommends that minimum working balances of 2.5% of net spend be retained and this would equate to approximately £11.5 million. It is further recommended that the Council, over the medium term, aims to have higher balances than this, with the target to have retained working balances of approximately 4% by 2016/17, or approximately £19 million.
- 3.5 Based on the current reported out-turn position the Council is currently forecasting to have £13.3 million of un-earmarked reserves by 31 March 2012 which is in line with this policy to move to having a 4% balance on working balances.
- 3.6 It is proposed that further work which is currently being undertaken on the ear-marked commitments, is reported to the Council on the completion of the 2011/12 financial statements.

### 4. OTHER IMPLICATIONS

- 4.1 The Council is required to set its Council Tax levels before the 11 March in the financial year preceding that for which it is set as governed by the Local Government Finance Act 1992.
- 4.2 A major impact on the Council's position for 2012/13 and future years budgets is the current economic down turn of the United Kingdom economy and the subsequent impact this has had on the level of funding available to the public sector.
- 4.3 The Scottish Government has however recognized the level of funding provided to local authorities is such that no Council should receive less than 85% of the Scottish average.
- 4.4 This average has been calculated by restricting local authorities who receive more than 100% of the Scottish average to 115% for the purposes of the calculating the 85% Floor adjustment.



- 4.5 As such, this has resulted in the Council receiving an additional £3 million of funding for 2012/13. The calculation is done out with the overall envelope settlement such that this funding level varies considerably each year.
- 4.6 As a result of this Aberdeen City Council has received an increase in the level of grant funding it receives in the financial year 2011/12 (excluding specific and ring fenced grants). The Scottish Government has also provided indicative figures for a further two financial years.
- 4.7 Based on the current settlement figures from the Scottish Government the Council has been notified that it will receive £342.8 million in 2012/13, an increase in funding of £5.6 million compared to 2011/12, a further increase in 2013/14 of £1.2 million followed by an additional £2.5 million the year there after. This is reflected in the 5 Year Business Plan attached as Appendix 4 to this report.

## 5. BACKGROUND/MAIN ISSUES

- 5.1 The current position for 2012/13 is summarised in the following table and is broken down further in Appendix 1 of this report and shows that following the Council meeting in December the Council has a balanced budget for the financial year 2012/13:

<u>Note</u>	<u>Funding</u>	<u>£</u> <u>million</u>	<u>£</u> <u>million</u>
1	Central Government Grants		342.821
2	Council Tax (including Arrears)		107.711
			<u>450.532</u>
	Add:		
	Trading Services/Other Grants		9.091
	<b>Total Funding</b>		<b>459.419</b>
	<b><u>Projected Expenditure</u></b>		
	Current Estimated Spend		462.017
	Deduct: Savings Approved		
3	14/12/10		<u>(2.598)</u>
	<b>Total Projected Expenditure</b>		<b>459.419</b>
	Net Spend		<b>0</b>

**Note 1** – This is the total funding notified to the Council per the Finance Circular 12/2011.

**Note 2** – A review of Council Tax has been undertaken and it is estimated that a small increase in the Band D equivalent properties for 2011/12 can be anticipated.

**Note 3**– This is the service options that were approved by Council on 14 December 2011.

5.2 It is worthwhile noting that as part of the overall settlement agreement provided by the Scottish Government the Council has to ensure that it has adequate budgetary provision to meet a number of items as laid down in the Settlement letter and the letter from the Cabinet Secretary for Finance, Employment and Sustainable Growth:

- To remain committed to the delivery of the Government's programme as set out in Renewing Scotland: the Government's Programme for Scotland 2011-12 and the Government Economic Strategy;
- Maintain a council tax freeze in each of the three years of the Spending Review.
- Individual local authorities to pass on their full share of funding to Police Boards in line with the existing agreed level for 2011-12 as a contribution to maintaining the number of police officers throughout the Spending Review Period 2012-15.
- Maintain teacher numbers in line with pupil numbers and secure places for all probationers who require one under the teacher induction scheme.

5.3 Failure to meet these targets could potentially result in a loss of grant funding.

#### **Budget Assumptions**

5.4 In preparing the service options for each service allowances were made for potential costs associated with them. Such costs would be for the purchase of external resources, specialist advice and compulsory redundancy payments for staff.

5.5 There is currently no budgeted pay award for any staff in 2011/12 in line with the announcements made by the UK Treasury and the Scottish Government. Pay awards are built in for future years at 1% per annum. There is an increase in pay reflecting the minimum wage and a payment of £250 for all staff earning less than £21,000 in line with Scottish Government's settlement.

5.6 However, the Council budget does include an allowance for staff increments which is now related to performance and further details on this will be reported in due course. An allowance has also been made for detriment payments for staff that will still find themselves in this position following the implementation of Equal Pay.

5.7 A number of provisions have also been made within the revenue budget to cover known cost increases for Non Domestic Rates, utilities and fuel costs. These have been allocated to Services and are included within the movements contained within Appendix 2 of this report. Other general provisions of £2 million have also been provided for to meet unforeseen costs during the year.

## **Funding**

- 5.8 The 2012/13 Non-Domestic Rate poundage rate has been set at 45.0 pence (up from 42.6 pence in 2010/11) by the Scottish Government. The large business supplement has also been set at 0.7 pence in the pound for businesses with a rateable value of over £35,000.
- 5.9 For the financial year 2012/13 the Scottish Government has introduced the Business Rates Incentivisation Scheme. The aim of the scheme is two fold; to incentivise councils to maximize their existing business rate income; and to grow their tax base, allowing them to retain a proportion of business rates income over and above the target level of what they would otherwise be expected to raise.
- 5.10 Each local authority that exceeds its individual non domestic rate income target will retain a half share of the additional rates income generated. Any local authority that does not reach their target will continue to be compensated by the Scottish Government (as they are now) up to the level of their non domestic rates distributable amount through increased general revenue grant.
- 5.11 The Council's target for 2012/13 is £164.1 million. It has been assumed that this target will be achieved and if not the compensation mechanism described above will be implemented. This will be monitored closely during the year to determine how this new funding mechanism impacts the Council.
- 5.12 The Council is also awaiting the additional allocation from two other grant allocations. These are the Teachers Induction Scheme totaling £37.6 million for the whole of Scotland. It is estimated that this will equate to approximately £1 million for Aberdeen City Council and this is included within the figures at Appendix 1.

## **Budget Movements 2010/11 to 2011/12**

- 5.13 The statement attached in Appendix 2 illustrates the budget movement over each Directorate. Primarily, the cost pressures that have been allowed for are known contractual movements, staff increments and a number of internal transfers between directorates as approved by the Finance and Resources Committee. Within Miscellaneous Services there are a number of movements to reflect increased capital financing charges, capital from current revenue, reduced costs associated with the Council's pursuit of Alternative Delivery Models (as these costs were budgeted to last for one financial year) and increased supplementary pension payments. An allowance of £1.5 million has also been made to meet the commitments required for the 2 Change Funds announced by the Scottish Government.

## **5 Year Costed Business Plan**

- 5.14 Appendix 1 illustrates the Council's 5 year position the data from which was derived from continuation of the successful Priority Based Budgeting exercise it implemented in 2011. It provides illustrative budgets for future years after taking into account estimated movements.

- 5.15 Officers have had to use their judgment in certain areas where data is not yet known. For example, the Scottish Government has introduced a Business Rates Incentivisation scheme as described earlier. It is assumed that the Council will meet these targets rather than exceed them at this point in time to allow actual data to be collated and reviewed for future years.
- 5.16 In developing the 5 year business plan projected demographic factors were examined from a number of sources to determine the level of increased demand on services over the period in line with the process implemented for 2011/12.
- 5.17 As elected members will appreciate a business plan is a working document that requires to be updated at regular intervals to reflect the changing financial and economic climate that the Council faces. As such Appendix 4 reflects the revised Business Plan for elected members to approve.
- 5.18 The business plan pulls together each service strategy for the medium term together with the current financial projections for the period. It demonstrates the direction of travel the Council intends to take over the next 5 year years underpinned with a sound financial strategy to improve the quality of lives for the City's residents.
- 5.19 On a positive note the business plan demonstrates that over the 5 year period, depending on future decisions taken around service options, the Council's 5 year position shows a small deficit for years 2 to 4 demonstrating the success of the Priority Based Budgeting approach that the Council has adopted.
- 5.20 The business plan therefore provides officers with a medium term financial goal to deliver over the 5 year period and removes the need to look at budgets on an annualised basis. That is not to say that the annual budget will not need to be reviewed and amended going forward.
- 5.21 Indeed the focus in future will be on performance within the financial year but also the impact on future years as clearly the failure to deliver service options will have a material impact in future years.

### **Working Balances**

- 5.22 Appendix 3 to this report shows the position on working balances as at 1 April 2011 after taking account of the known commitments, as per the period 8 monitoring position for 2011/12. The period 8 monitoring illustrates that the Council is currently projecting an underspend of £1.994 million leaving working balances at 31 March 2011 of £13.3 million.
- 5.23 However, the Council also has a number of provisions including a provision for LATS fees. It is anticipated that this legislation will be repealed this year and therefore the provision may not be required. It remains within the budget at the present time until the legislation is replaced.

### **Savings**

- 5.24 Included within Appendix 4 of this report is a full breakdown of the service options from services. This includes a minor amendment to the option for taxi marshals to reflect the now known contract cost. Appendix 4 shows the options that have been approved. Appendix 7 summarises this information for ease of reference.

### **Summary**

- 5.25 The Council is required to set a balanced budget for the forthcoming financial year. This report sets out the options available to elected members to determine a balanced budget for the financial year 2011/12.

## **6. IMPACT**

- 6.1 The City Council will operate within overall financial constraints taking into account recommended accounting practice and policies.
- 6.2 Following approval of the Council's revenue budget notification of the Council Tax levels will be issued to households by the Revenue & Benefits Manager, providing 28 days notice.

## **7. BACKGROUND PAPERS**

Finance Circular 12/2011  
Priority Based Budget Report v1.4b  
Period 8 Out-turn position  
5 Year Business Plan

## **8. REPORT AUTHOR DETAILS**

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## Appendix 1

**General Fund Revenue Budget 5 Year Position**

Note: Period 4 Monitoring	2012/13	2013/14	2014/15	2015/16	2016/17
Service	£'000	£'000	£'000	£'000	£'000
Corporate Governance	27,832	26,886	26,893	26,722	27,017
Social Care and Wellbeing	118,824	121,054	122,844	124,713	128,764
Education, Culture and Sport	171,795	172,637	172,062	173,593	175,357
Housing and Environment	38,771	39,313	36,033	33,051	33,136
Enterprise, Planning and Infrastructure	52,067	47,065	47,111	47,526	49,388
Office of Chief Executive	1,084	784	787	791	793
Council Expenses	2,140	2,150	2,166	2,187	2,209
Miscellaneous Services	14,098	21,425	25,488	29,998	32,548
Joint Boards	35,587	35,587	35,943	36,302	36,665
<b>Net Cost of Service</b>	<b>462,198</b>	<b>466,901</b>	<b>469,327</b>	<b>474,883</b>	<b>485,877</b>

**Funding**

General Revenue Grant	(175,237)	(165,100)	(150,711)	(150,711)	(150,711)
Non Domestic Rates	(164,576)	(177,084)	(193,738)	(193,738)	(193,738)
New 85% Floor	(3,008)	(1,854)	(2,054)	(2,054)	(2,054)
Assumed Settlement Position	0	0	0	(3,500)	(7,000)
Teachers Induction Scheme Grant	(968)	(991)	(1,069)	(1,070)	(1,070)
Council Tax	(107,711)	(108,192)	(108,672)	(111,335)	(111,624)
Trading Services Surplus	(8,100)	(8,600)	(9,000)	(9,500)	(9,750)
<b>Funding</b>	<b>(459,600)</b>	<b>(461,821)</b>	<b>(465,244)</b>	<b>(471,908)</b>	<b>(475,947)</b>

**Budget (Surplus)/Deficit**

<b>2,598</b>	<b>5,080</b>	<b>4,083</b>	<b>2,975</b>	<b>9,930</b>
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## Council Approved Service Options

(2,598)	(2,435)	(2,426)	(2,418)	293
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**Current (Surplus)/Deficit**

<b>(0)</b>	<b>2,645</b>	<b>1,657</b>	<b>557</b>	<b>10,223</b>
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## Appendix 2

**Analysis of Movement 2011/12 to 2012/13**

<b>Service</b>	<b>£'000</b>
<i><u>Corporate Governance</u></i>	
Staff increments	193
Increased Vacancy Factor	(468)
Scotland Excel Contract Payment	132
Housing Benefits	707
PBB 1 Service Options	(732)
<i><u>Social Care and Wellbeing</u></i>	
Staff increments	1,844
Increased Vacancy Factor	(583)
Demand Pressures due to change in demographics (note all elderly demand pressures contained by reablement option)	370
Cost Pressures (0.5% increase commissioned services)	970
PBB 1 Service Options	(5,417)
Reinstatement of part of £4M budget removed 11/12 (net)	1,051
<i><u>Education, Culture and Sport</u></i>	
Staff Increments	1,066
Increased Vacancy Factor	(221)
Unitary Charge	850
Demand pressure due to change in demographics	200
Grants for Community Centres	300
PBB 1 Service Options	(2,620)
DEM Re-instatement	500
<i><u>Housing and Environment</u></i>	
Staff Increments	464
Increased Vacancy Factor	(189)
PBB 1 Service Options	(2,638)
Care Co-ordinators	365
Waste Landfill Tax & Contract Payments	659
One Year Reduction in LATS provision	(975)
<i><u>Enterprise, Planning and Infrastructure</u></i>	
Staff Increments (£330k absorbed)	0
Increased Vacancy Factor	(363)
PBB 1 Service Options	(946)
Energy and Fuel	750
Other	363
Marischal College	729
Roads Demand (£200 absorbed)	213
Flood Risk Management	210
<i><u>Office of Chief Executive</u></i>	
Staff Increments	4
Local Elections	300

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APPENDIX 3

ABERDEEN CITY COUNCIL  
RESERVES AND BALANCES

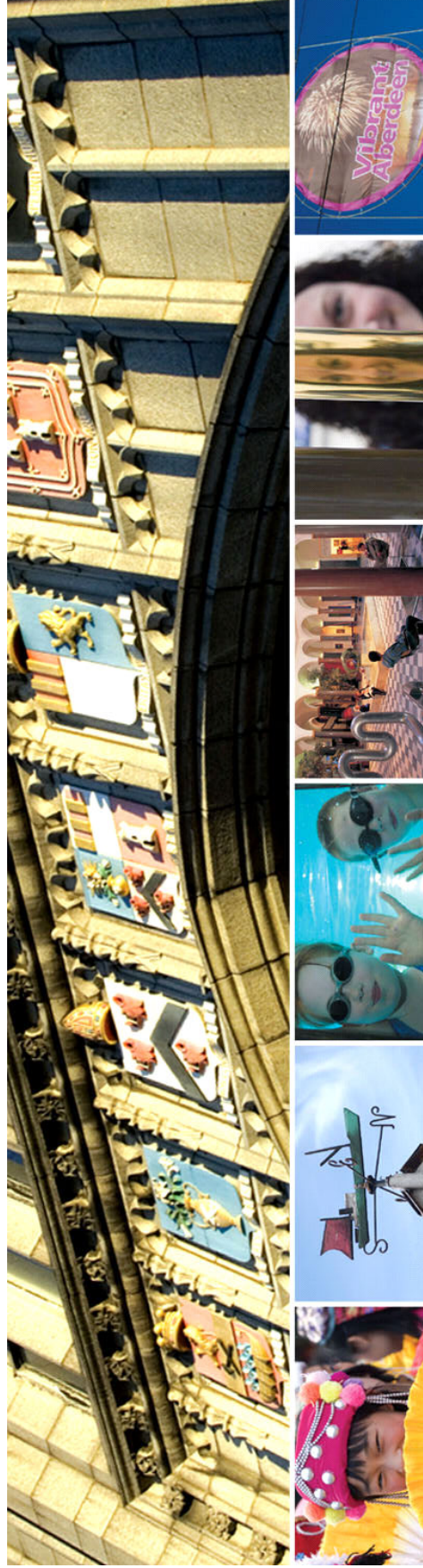
	Uncommitted £'000	Committed £'000	General Fund Balance £'000	Budget £'000	Percentage Uncommitted %
GENERAL FUND BALANCES AS AT 31/3/11 (PER FINAL ACCOUNTS)	(11,289)	(24,177)	(35,466)	450,864	2.5%
FORECAST MOVEMENT IN 2011/12 (PER PERIOD 9 MONITORING)	(1,994)		(1,994)		
USE OF COMMITTED BALANCES IN 2011/12		6,225	6,225		
TRANSFER BETWEEN COMMITTED AND UNCOMMITTED BALANCES IN 2011/12					
FORECAST GENERAL FUND BALANCES AS AT 31/3/12	(13,283)	(17,952)	(31,235)	450,532	2.9%

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ABERDEEN  
CITY COUNCIL

# Aberdeen City Council Business Plan 2012/13 – 2017/18 The Next Five Years



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## 1. Executive summary

Aberdeen City Council's business plan covers the five-year period from 2012/13 – 2017/18. It is a rolling five-year plan and will be subject to annual review and update in line with changes in the council's priorities and emerging external factors which impact on the delivery of its objectives.

The business plan identifies those factors which influence the needs, development and delivery of our services. The plan outlines the activities and initiatives which we will undertake to achieve our strategic objectives which, in turn, reflect the national priorities set by the Scottish Government, the Concordat and the Single Outcome Agreement.

The business plan sets out the council's key priorities and gives details of the main actions within each of the council's five services. These are supported by our priority-based approach to establishing our budget.

Regular reporting on the delivery of the business plan will be made at committee and council level and will form a key part of the council's public performance reporting.

The council is committed to continually improving its communications and active engagement with stakeholders, including Aberdeen citizens, visitors, the business community, partners, its employees and employee representatives. We seek a significant change in modernising the way we work and deliver our services. Self-evaluation is an important element in achieving this and over the lifespan of this plan there will be a focus on increasing our capacity to self-evaluate, taking an evidenced approach, building upon good practice already in place and learning through benchmarking against the private and public sector.

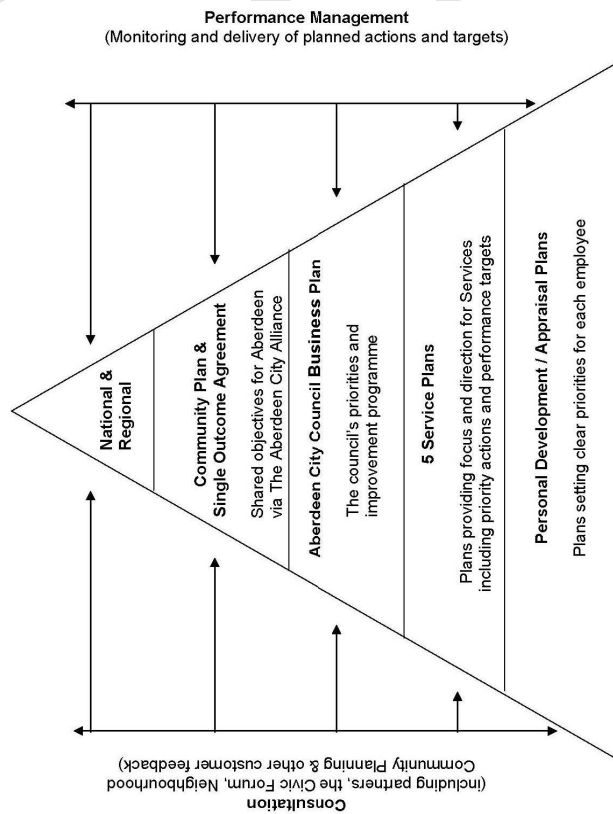


Figure 1



**Callum McCaig**  
Council Leader



**Valerie Watts**  
Chief Executive

## 2. Vision and strategy

### Vision

Our vision is for Aberdeen to be a vibrant, dynamic and forward-looking city.

‘An even better place to live and work, where people can expect high-quality services that meet their needs’.

### Strategic priorities

The council’s priorities for the next five years to deliver this vision are focused on six key areas:

- Provide for the needs of the most vulnerable people;
- Help to ensure that all schoolchildren reach their potential;
- Manage our waste better and increase recycling;
- Encourage the building of new affordable housing;
- Ensure a sustainable economic future for the city;
- Ensure efficient and effective delivery of services by the council and with its partners.

### Delivering our strategic priorities

In order to deliver these priorities we will:

- Make best use of the financial resources available to us, ensuring best value for the public purse;
- Have a flexible, skilled and motivated workforce;
- Listen to, and be responsive to, our customers, shaping our services around their needs and focusing our resources where they are most needed; and
- Work closely with our partners, including local communities, to deliver a single set of outcomes for all the citizens of Aberdeen.

The council’s action and financial plans, included in this business plan, are built on the delivery of these priorities, and we will measure our performance in terms of our success in their achievement.



### 3. Sector analysis

Figure 2 below shows a high-level analysis of issues which will impact on the council throughout the period of this plan.

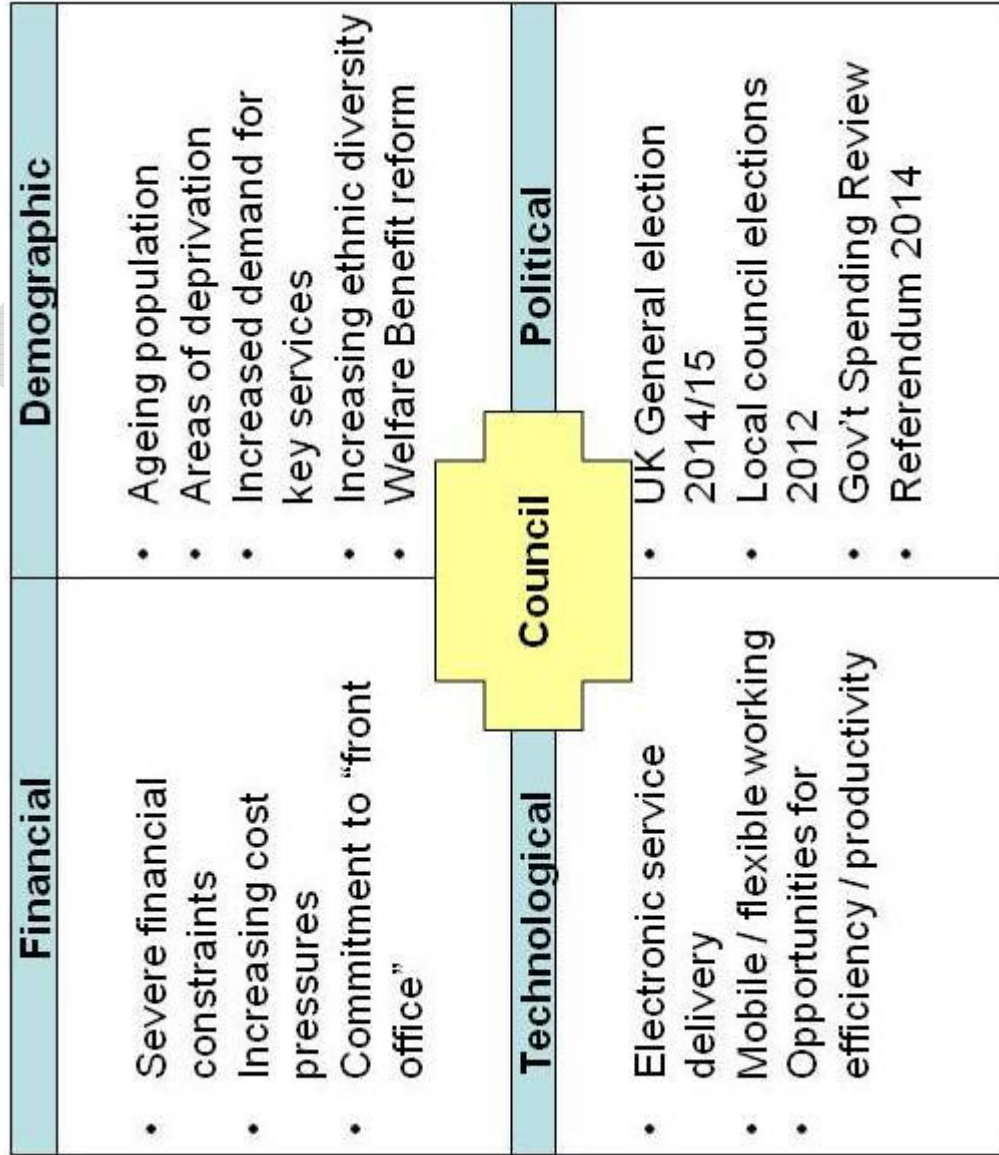


Figure 2

Over the next five years the council has a key role in addressing each of these issues.

### **(i) Finance**

The overall economic outlook and fiscal position for the period of the business plan continues to present a difficult financial challenge for the council. The introduction of a new 85% funding floor from the Scottish Government has eased the financial position but given the current rate of inflation and cost pressures facing the council the next five years will require the council to continue to adapt to the limited financial resources it has available. The council has received a small increase in funding over the next two financial years but will continue to have to monitor its cost base going forward.

There is also a clear relationship between the public and private sector. In Scotland, public services account for approximately 47% of GDP which will mean that any downturn in public sector buying power will have a multiplier effect throughout the whole economy. There will inevitably be a reduction in the public sector workforce and the Independent Budget Review published in 2009 predicted between 5.7% to 10% reduction in public sector jobs in Scotland over the next five years. Moreover, the possibility of council tax being frozen will create further added pressure on the council's financial position. There are also significant cost drivers over the next five years including costs and penalties associated with waste, an increase in the uptake of universal services, workforce costs and infrastructure costs, particularly in relation to roads.

The council receives the second lowest funding in Scotland and it will be important for the council to continue to press for the best settlement possible in light of these financial pressures.

### **(ii) Demographics**

There are significant demand pressures on services within Education, Culture and Sport and Social Care and Wellbeing arising from anticipated demographic changes. Population projections for Scotland indicate that the 0-15 age group will grow by 0.5% between 2011 and 2016. Over the same period, the 0-15 age group in Aberdeen is projected to increase by 4%, from 33,454 to 34,812. Aberdeen's birth rate has grown significantly with 2,599 births in 2010 compared with 2,061 in 2005. This will have an impact on primary school rolls, which are forecast to rise by 19% in the period 2011 to 2016. At the same time, secondary school rolls are forecast to fall by just over 6%. The population in the 65+ age group is projected to rise in Scotland by 13% in the period from 2011 to 2016. In Aberdeen, this is projected to rise by 12%. This has a significant impact on the council's future planning for care of the elderly, which is a major driver of demand for social care and wellbeing services. The increase in 65+ age group will also have an impact on housing, which whilst not a general fund service, will be key in supporting the balance of care agenda. The city continues to attract new Scots. Many overseas migrants, especially from eastern Europe, have arrived in search of employment opportunities in recent years. This trend is likely to continue over the next five years and will impact on a range of services including housing, waste, education and social work. The 2009 Scottish Index of Multiple Deprivation identified 28 areas in Aberdeen which are particularly disadvantaged. These are distributed throughout the city and not exclusively confined to particular neighbourhoods.

### **(iii) Political**

The political environment in which the council will operate over the next five years is to be shaped by a series of elections at Scottish Parliament, local government and at UK level. The outcome of these elections will have an effect on a range of factors which contribute to the delivery of local services. It is important that the council is in a position to flex its services depending on the outcome of these elections and the impact that this has on policy either at a national or local level. Current national policy discussions and initiatives are pointing at radical changes in the model for delivery of social services, moving away from universal, and state-defined, services towards models based on social citizenship where individuals and local communities have more responsibility for defining their needs and controlling how the money is spent. Potential early impacts of this approach include a need to build increasing and open engagement with citizens; a need to support social capacity at the local level; and the transfer of government powers and control to local level, with the accountability and responsibility that this entails.

### **(iv) Technology**

Technology has a key role to play in the delivery of council services over the next five years. The move to Marischal College, the use of telecare and the implementation of self service will all demand investment in technology and require closer working with the private sector. In education, we will widen access to learning for all through the flexible use of technology. Whilst investment will be required, this will be on the basis of spend to save (or spend to constrain growth in costs of older people's services) by promoting citizens' independence. Technology will also fundamentally contribute to shifting the balance of power and responsibility to the citizen rather than the state/public services, by facilitating a more personalised and flexible approach to how citizens engage with public services. This also gives citizens greater choice and control of services they wish to receive.

## 4. Communication and community engagement

### 4.1 Our approach to communication and community engagement

This business plan has been prepared following, and taking account of, extensive communication and community engagement. This included:

- A corporate stakeholder briefing with around 100 city stakeholders and directorate stakeholder briefings;
- A public survey with over 1,100 responses received;
- A City Voice survey with over 700 responses received;
- Internal communications with a series of staff briefings, workshops and use of the council's intranet, as a focus for information on business plan activity;
- The council's website providing information and encouraging members of the public to give their views;
- 100 city-wide 'front doors' – the city's information points were used to promote and encourage members of the public to complete a questionnaire.
- Community-led public meetings – the Council Leader, Deputy Leader and directors participated in a series of public meetings convened by a number of the city's community councils.
- Follow-up corporate, directorate and public stakeholder events.

Continuing good communications with meaningful, active and ongoing dialogue with the citizens of Aberdeen will be central to the approach which the council takes as it delivers its overall business plan objectives.

The council's principle aim is to create a better awareness and understanding of all the council's activities and services which we, along with our partners, deliver for the citizens of Aberdeen, our future investors and our visitors and to encourage active participation and engagement with us as we deliver our plans.

Our objectives are:

- To offer accessible and timely information about all council services and activities;
- To provide opportunities for all to engage in dialogue with us, whether face to face, written or on-line;
- To listen and respond to the views of our partners, citizens, staff and other stakeholders with an interest in the city; and
- To share our plans and aspirations for the city.

The council will do this through creating a variety and wide-ranging means of communications and engagement including:

- Open meetings on the transaction of our formal business;
- Face-to-face and timely public meetings on specific issues and activities;
- An effective and efficient customer contact service through our network of information points and by telephone or email;
- An interactive and easily accessible website;

- Providing appropriate and cost-effective information and advice on council services, decisions and achievements;
- Sharing communications and engagement opportunities with our partners in detailing joint activities;
- Continuous and ongoing dialogue with our delivery partners in other public sector organisations, the city's academic institutions, the city's business community, others in the private sector, voluntary

- and charitable organisations and social enterprise companies;
- The use of social media platforms, where appropriate; and
- Paid advertising of engagement events, where appropriate.

The council will also place an emphasis on excellent communications with our employees and their representatives as we plan improvements to the way in which we inform and engage with all employees, trade unions and elected members.

## 4.2 Community engagement

The fundamental importance of good and worthwhile dialogue between the council and its wide variety of stakeholders was brought into renewed focus during the formation of this business plan with the council adopting a proactive and inclusive approach to make sure that as many people as possible participated in the process and had an opportunity to contribute their own views on service priorities during the next five years.

This inclusive and positive approach was widely welcomed and resulted in a significant number of individuals, community groups, local businesses and partners actively engaging with the council to 'have their say' on future service priorities.

The council will continue with this approach which provides for:

- Individual members of the public, community groups, local businesses and other public and voluntary sector partners, to have the opportunity to make a direct input into the design and delivery of the council's services; and
- Elected members and city council officers to listen closely and consider the views of colleagues, citizens, members of the local business community and partners in other public organisations and the voluntary sector.

During the period of this five-year plan, the council will strive to continually improve the way it engages with all those who have a stake in council services now and in the future.

### 4.3 Who are our customers?

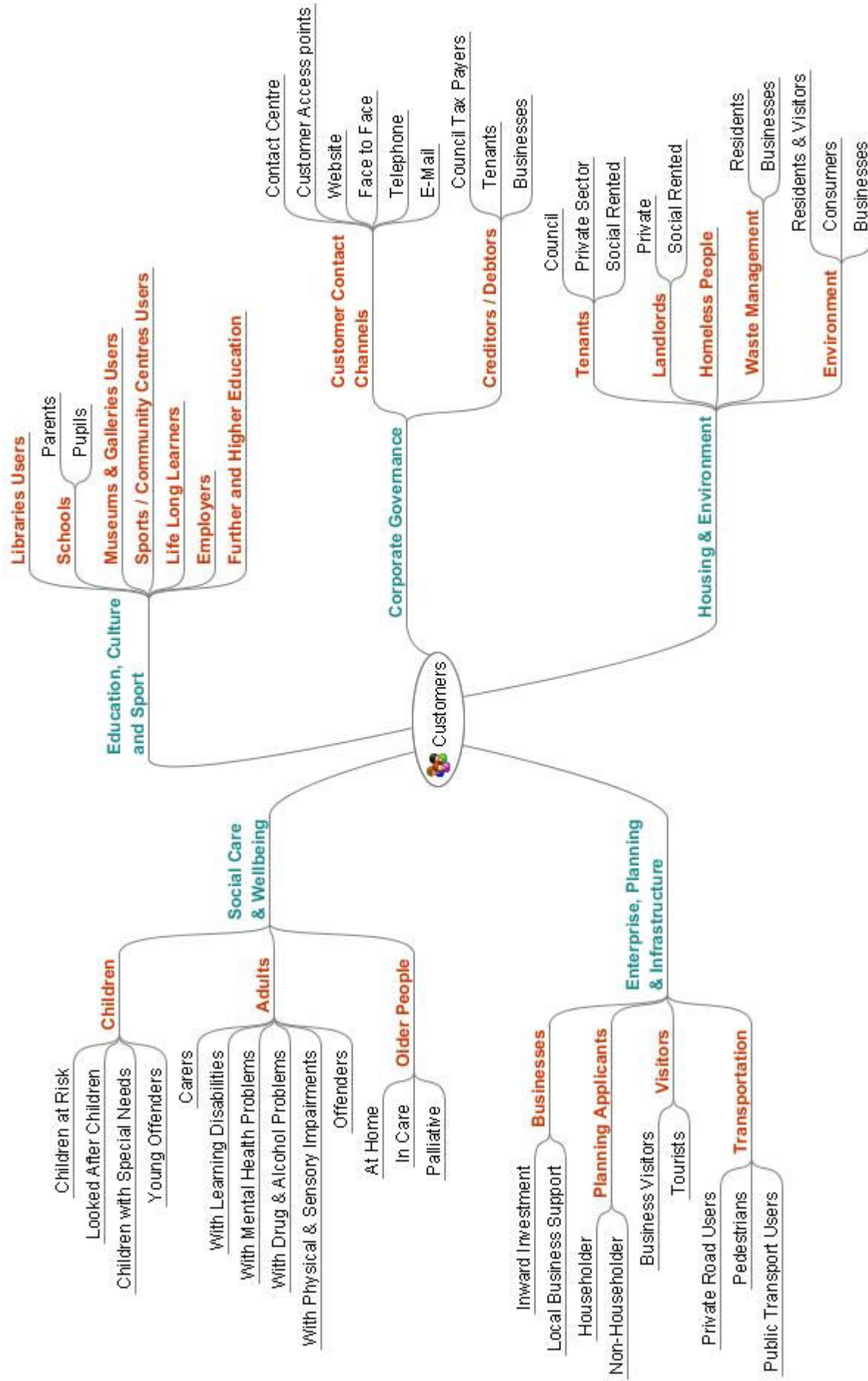


Figure 3 Showing an indicative representation of many, but not all, of the council's customers.

## 4.4 Partnership working

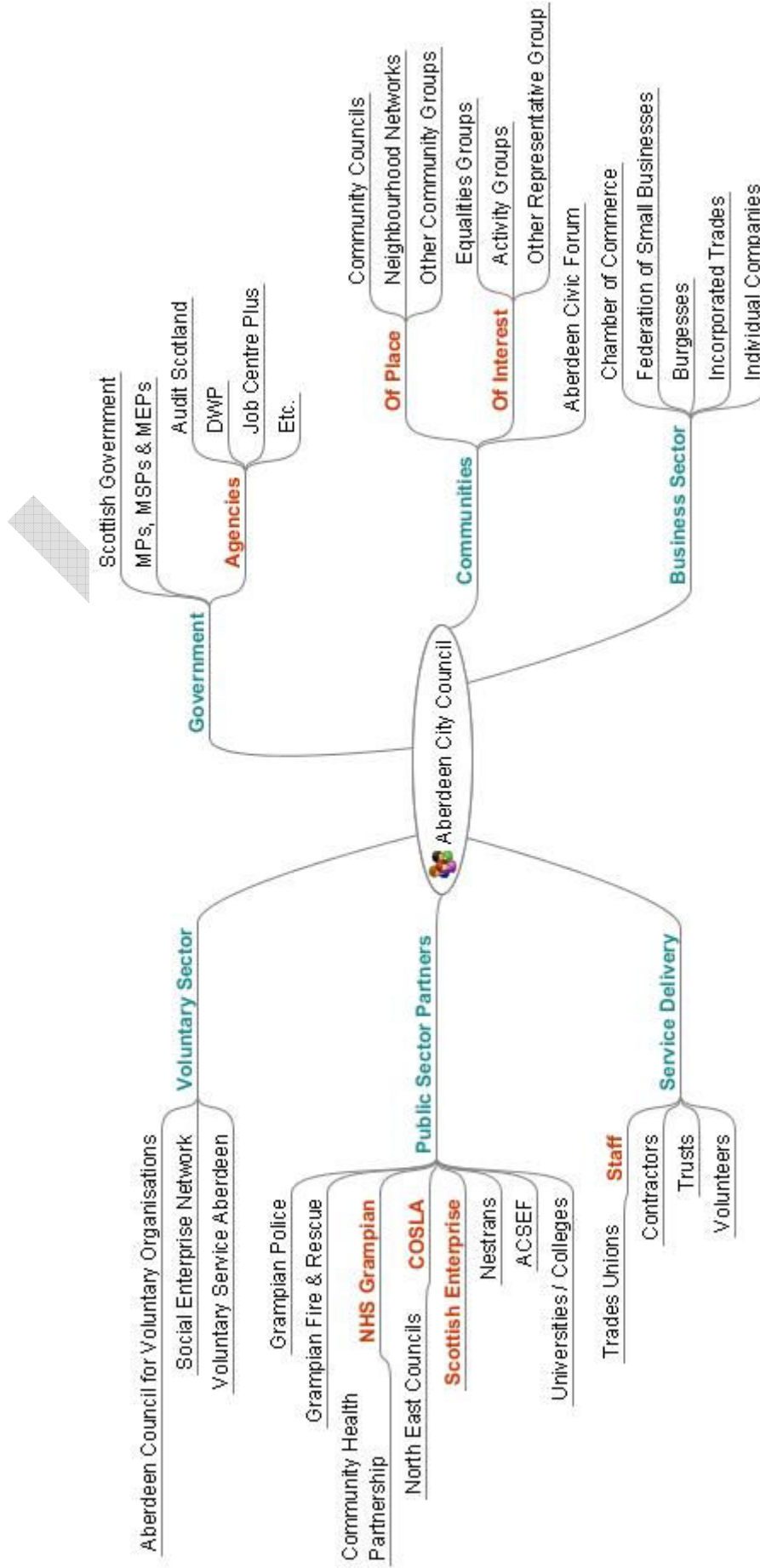


Figure 4 Showing an indicative representation of many, but not all, of the council's partners.

## **5. Service overview**

### **5.1 What services will we deliver?**

The council currently employs over 9,100 staff working across the city delivering a wide range of services and has an annual net budget of £450m which is distributed between five functional directorates:

- Education, Culture and Sport
- Social Care and Wellbeing
- Enterprise, Planning and Infrastructure
- Housing and Environment
- Corporate Governance



## Education, Culture and Sport



**Annette Bruton**  
Director

Over the next five years Education, Culture and Sport will see significant change. Building on our strategies for learning, culture and sport, we will work in an innovative and creative way to provide flexible and high-quality education in schools, support community development and adult learning where it is most needed and enhance the cultural and heritage provision in the city of Aberdeen.

The focus of our directorate is, through new ways of working, to contribute to building a 'city of learning' which empowers individuals to fulfil their potential and to contribute to the economic, social and cultural wellbeing of our communities. Our priorities reflect the national priorities set out by the Scottish Government, the Concordat and the Single Outcome Agreement and encompass the activities and initiatives which we will undertake in order to achieve the council's key strategic objectives. These priorities are set out in the following ten themes:

- Curriculum for Excellence: implementing the new curriculum for schools;
- Fit-for-purpose schools / learning centres: making sure that we have the right facilities in the right place;
- Learning in the wider community: lifelong learning for everyone;
- Technology: using technology for learning;
- Health and wellbeing: helping people to make the right lifestyle choices from an early age and throughout their lives;
- Engagement in arts, culture and heritage: improving the quality of and impact of arts, culture and heritage provisions across the city;
- Helping those with different needs: helping everyone reach their potential;
- Better performing/value for money: demonstrate our commitment to continuous improvement;
- Skilled and trained staff: continually developing our staff through training opportunities; and
- Working together: making sure services work together in the interests of the learner.

Underpinning our ten priority themes are the objectives to improve attainment and achievement for all our learners and to close the gaps in learning, health, participation and employment outcomes that exist within the city. Our key priorities are met through the provision of a range of services and activities.

### **Pre-school and school education**

In our pre-school setting within primary schools and through our partner providers we will:

- Continue to invest in leadership and management development at all levels;
- Adjust the early years training programme to prioritise self-assessment training and guidance;
- Increase the involvement of private partners in joint training and development with local authority practitioners in relation to the implementation of curriculum for excellence assessment, reporting and transition;
- Improve networking and communication between pre-school settings and primary to deliver improved breadth and depth, progression and continuity of learning; and
- Introduce nursery induction programme for senior leaders in primary schools.
- Finalise our review of inclusion and develop a refreshed strategy;
- Develop a more robust, outcome-based approach to the improvement of additional support needs services/provision, with a stronger focus on the collection and intelligent use of performance, attainment and achievement data to ensure all learners achieve their full potential;
- Redevelop Cordyce School as a centre of excellence for young people with social, emotional and behavioural needs;
- Establish a more thorough process to gather pupil and parent/carer views of services and to use those views to inform and improve service delivery;
- Explore and develop the emerging model of learning partnerships and hubs in order to further improve the experiences and outcomes for all learners, but particularly those with additional support needs;
- Develop a commissioning strategy for additional support needs service/provision, including seeking greater opportunities for joint working with voluntary organisations; and
- Ensure additional support needs are reflected in our approach to and implementation of Curriculum for Excellence.

### **Additional support needs (ASN)**

We will seek to improve our inclusion practice and meet the needs of those with additional support needs in the following ways:

- Develop a better understanding of the needs of specific groups of learners who have additional support needs in order to further improve the quality of services/provision;
- Finalise a more coherent approach and strategy for social, emotional, and behavioural needs;
- Improve the effectiveness of the pupil support service;
- Continue to focus on attainment and achievement within the ASN sector by ensuring that good practice is identified and adopted more widely across the city;
- Build upon our current work to develop effective transitions, particularly for post-16/18 year olds with additional support needs;
- Ensure effective use of our staged intervention approach to meeting additional support needs;

## Curriculum for Excellence

We have made good progress in this curriculum reform whilst recognising that much still needs to be done. Our current position involves building up capacity again and implementing major curriculum developments. Our priorities for curriculum improvement will:

- Increase pace and provide clear guidance and policy including learning and teaching, literacy, numeracy, health and wellbeing, science, assessment, reporting and moderation;
- Improve pupil transitions from nursery to primary and from primary to secondary school;
- Provide personal support for all pupils;
- Make better use of GLOW;
- Provide good quality and effective professional development;
- Ensure that the support and challenge of quality improvement officers is having a significant impact;
- Develop support for curriculum development including secondary schools curriculum networks; and
- Highlight and share good practice.

Alongside the introduction of a curriculum for excellence for all pupils we will deliver more flexible routes to learning in the upper stages of secondary school and beyond through our Aberdeen virtual campus strategy.

We will focus on the senior phase arrangements for schools and learn from, and build upon, the flexible and open approaches to progression and choice already developed in the colleges and universities in the city and region. The idea of a virtual campus could be built around four main strands of work and would develop pace and challenge for many senior

students in our school, could open up choices and build flexible pathways for learners. The proposed four strands of work for the education authority and partners are:

- In the short term, aligning school day arrangements and enable coursing across establishments;
- To develop innovative and IT based ways of learning which complement face-to-face teaching and learning;
- To develop an open coursing approach to learning which could take place at school, college or university in a 'virtual campus'; and
- To develop a clear approach to the senior phase curriculum in secondary schools.

## Communities, culture and sport

In developing the services in community learning, heritage, arts, culture and sport we will build on existing strong partnerships and will seek to provide services through those partnerships and through arms length organisations and trusts. This will include the following actions:

- Continue to work with the Aberdeen Sports Trust – Sport Aberdeen and Aberdeen Sport Village – to deliver efficient and effective provision of sport and leisure activities throughout the city;
- Investigate development opportunities within community learning and development and through other learning providers to enhance learning opportunities within schools and learning establishments;
- Continue to promote the participation of the private, public and voluntary sectors in our planning and development particularly in relation to children's services; community learning and development; neighbourhood planning and within arts and cultural activities;

- Establish a network of ten learning partnerships across the city to enable outcome-focused learning discussions within a partnership environment;
- Establish a network of community learning hubs and related partnership activity;
- As part of our multi-disciplinary approach to child protection, implement the joint child protection action plan and continue joint working to improve the effectiveness of child protection services and to meet the needs of vulnerable children and families;
- Ensure that young people are able to access work placements in a more personalised way;
- Develop 16+ learning partnerships in every secondary school;
- Enhance our youth voice and further develop youth participation through schools and Aberdeen Youth Council;
- Facilitate high-quality adult learning services with a particular focus on youth and adult literacy and numeracy;
- Agree city-wide strategies to close the opportunities gap;
- Engage with 'hard to reach' communities and individuals working with front line services and agencies to identify and assess needs;
- Implement 'Vibrant Aberdeen' – a cultural strategy for Aberdeen;
- Implement the 'Fit for the Future' strategy for physical activity and sport;
- Develop partnership networks and links with both cultural and non cultural bodies e.g. tourism; and

- Recruit, develop and retain volunteers to support delivery of cultural, arts and heritage type activities.

## **Learning and cultural estate and facilities**

We will continue to develop and implement the learning estate strategy to ensure an affordable and sustainable learning estate which makes best use of resources, ensuring focus on areas of greatest need. Continuing the work already begun on community facilities and the secondary school estate we will also review the condition, suitability and efficiency of the primary school estate and bring forward a short, medium and long-term plan for action. We will develop proposals for the viable redevelopment of Aberdeen Art Gallery and the storage of the city's reserve collections. In addition, and within available budgets we will:

- Develop a technology strategy for Education, Culture and Sport;
- Further develop online learning within communities; and
- Ensure new and existing venues are fit for purpose and have the capacity for development of lifelong learning and cultural activities.

## Education, Culture and Sport – service overview

	Priority 1: Provide for the needs of the most vulnerable people	Priority 2: Help to ensure that all schoolchildren reach their potential	Priority 3: Manage our waste better and increase recycling	Priority 4: Encourage the building of new affordable housing	Priority 5: Ensure a sustainable economic future for the city	Priority 6: Ensure efficient and effective delivery of services by the council and with its partners.
Children and young people access positive learning environments and develop their skills, confidence and self esteem to the fullest potential	X	X				
We will improve the outcomes for all our children and young people	X	X				
Everyone will have access to high-quality learning environments and facilities supporting them to achieve their full potential		X				
We will encourage people of all ages to play an active role in their learning in order to maximise their potential		X				
We will enable an economically active population		X			X	
We will encourage active and appropriate use of technology to widen learning opportunities					X	X
We will encourage people to get involved in recreational activities, leisure pursuits and a wide variety of sports maximising the social, educational, health and economic benefits		X			X	
We will promote environmental sustainability			X		X	
We will improve the quality and impact of arts, culture and heritage provision across the city		X			X	
We will develop meaningful and successful partnerships that increase opportunities available to engage in cultural, arts and heritage activities					X	
We will enable creative opportunities for practitioners and artists to retain creative individuals within the city					X	
We will create and celebrate a cultural identity which is recognised locally, nationally and internationally		X			X	
We will support vulnerable children to achieve their full potential	X	X			X	
We will ensure our services and facilities are accessible to all		X				X
We will simplify and standardise service provision targeting resources to the right areas and helping to balance budgets						X
We will demonstrate our commitment to continuous improvement						X
We will foster a skilled workforce with the knowledge, understanding and expertise required to carry out their duties						X

## Social Care and Wellbeing



**Fred McBride**  
Director

Over the next five years the Social Care and Wellbeing directorate will provide services in the following three areas:

- **Children and young people.** These services meet the needs of vulnerable children including: children at risk of harm; children who require child protection services; children who are looked after; children needing permanent families; children who have a disability and; young people who have offended or are at risk of offending.
- **Adults.** These services meet the needs of vulnerable adults including: those who are at risk of harm and abuse; who have mental health problems; substance misuse problems; a learning disability and; those who have offended or are at risk of offending i.e. criminal justice services.
- **Older people and rehabilitation.** These services meet the needs of older people; people with a disability or sensory impairment; those in need of rehabilitation; services for adults at risk of harm and; services which meet the needs of carers.

In addition, over the next five years the directorate will ensure that where people's needs and services cross the boundaries of these three areas, the service shall operate in a coherent and effective way. This will include where there are cross-service considerations such as:

- Young people moving into adulthood;
- Commissioning, contracting and care management;
- The impact of substance misuse; and
- The wellbeing and protecting people agendas.

The directorate has a clear responsibility for the wellbeing of the citizens of Aberdeen, particularly those who are vulnerable. This includes leading the council's contribution to public health promotion and preventative services.

## Social Care & Wellbeing vision

- We believe that all the citizens of Aberdeen should have the opportunity to be in control of their own futures and destinies and to achieve their ambitions and aspirations;
- We acknowledge that people will require varying degrees of support to achieve this and the direct role of Social Care and Wellbeing will be to provide that support to the most vulnerable members of our community on a fair basis;
- We will work closely with other partners to ensure that support is provided early enough to prevent people requiring more intrusive forms of support and intervention;
- We will identify and respond to the social care needs of people living in Aberdeen, supporting them where they need assistance in their daily lives. Often working in partnership with others, we aim to respond with cost-

effective, quality services which support and promote the wellbeing and safety of people who are in greatest need; and

- We will respect and promote people's rights, support their independence and their inclusion in their own community and respect their choice wherever it is possible.

We will provide a social work service that:

- Helps staff to work in a person-centred way with individuals;
- Treats everybody with respect;
- Listens and communicates with others in the organisation and values people's ideas;
- Supports staff to do their job and makes sure that they have the chance to build their skills and knowledge;
- Encourages new ideas and welcomes challenge;
- Achieves value for money, works efficiently and challenges any rules that aren't needed;
- Is happy for feedback and listens to complaints and tries to make things better;
- Knows how important it is to check the quality of services and is always trying to improve services; and
- Is getting better at communicating and listening to all people who we serve.

With these guiding principles we believe that we can deliver services that have a real and lasting impact.

## **Social Care & Wellbeing guiding principles**

Our guiding principles are that we:

- Give clear and easy-to-understand information to people about what we can and can not do;
- Help people to have as much choice and control as possible over their lives;
- Work with others to address the issues some people have when using ordinary services, like health, housing, leisure and work;
- Make sure that the services we offer are the best they can be and if services need to be better, work to make them better;
- Listen to what people say, are open to new ideas and are there when people need us;
- Listen to what carers say, find out what they need, and support them to feel confident in their role; and

## **Social Care & Wellbeing strategic outcomes**

The strategic outcomes for Social Care and Wellbeing, for adults and children, reflect the national and local priorities.

- People are protected from abuse, neglect and harm and feel safe in their environment;
- People are supported and cared for in their own home or in accommodation appropriate to their needs for as long as this is possible;
- People are enabled and supported individually or in groups to find and put in place the right solutions for their care; and
- Citizens of all levels of need and ability have access to the facilities of Aberdeenshire that will support them to maintain their health and wellbeing.

## Social Care and Wellbeing – service overview

<p>Priority 1: Provide for the needs of the most vulnerable people</p>	<p>Priority 2: Help to ensure that all schoolchildren reach their potential</p>	<p>Priority 3: Manage our waste better and increase recycling</p>	<p>Priority 4: Encourage the building of new affordable housing</p>	<p>Priority 5: Ensure a sustainable economic future for the city</p>	<p>Priority 6: Ensure efficient and effective delivery of services by the council and with its partners.</p>
<p>We will take steps to protect the vulnerable including actively involving vulnerable children, adults and their carers in decisions affecting their care; effective supervision and management of offenders; and taking into account the safety and wellbeing of children living in families affected by substance misuse</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>
<p>We will shift the balance of care enabling people to live as independently as possible without compromising their care, safety or protection</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>
<p>We will promote the personalisation of services, creating opportunities for self-directed support and individualised budgets to empower people in the delivery of their own care</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>
<p>We will implement our commissioning strategy ensuring cost-effective and high-quality services that are fairly purchased and monitored</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>
<p>We will improve the use of resources with clear eligibility criteria with all referrals receiving consistent, high-quality responses based on thorough, evidence-based assessments of need and leading to care plans that will be subject to monitoring and review</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>
<p>We will work closely with all partners implementing the Integrated Children's Services Agenda and ensure that we do "Get it Right for Every Child" so that children and young people get appropriate support at the right time</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>
<p>We will continue to deliver effective management of the workforce by investing in leadership training to encourage the development of flexible and creative working; supporting staff to gain the skills and knowledge to provide person centred services; and implementing service delivery structures that seek to intervene in proportionate and timely ways, to ensure services are delivered to manage and reduce risk</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>



## Enterprise, Planning and Infrastructure



**Gordon McIntosh**  
Director

The Enterprise, Planning and Infrastructure directorate employs over 1,050 staff, working across the city to deliver the following three services:

- Economic and Business Development;
- Planning and Sustainable Development; and
- Asset Management and Operations.

In developing an effective service plan for the directorate, we recognise that the city's enterprise, planning and infrastructure issues are closely related to wider issues in the north east of Scotland as well as Scotland and the UK as a whole. The Enterprise, Planning and Infrastructure service must therefore provide the strategic direction for Aberdeen city within a wider geographical context, whilst continuing to engage with local people to ensure that we meet the stated needs of communities and individuals.

Over the period of the business plan we will see the continuing development and strengthening of the Enterprise, Planning and Infrastructure directorate, so that it continues to engage with managers across all council services and external partners, on key issues affecting communities.

The main aim of the directorate is to:

- enable Aberdeen city to achieve increased sustainable economic growth for the benefit of all citizens

We will do this by:

- ensuring people and communities are genuinely engaged in decisions relating to enterprise, planning and infrastructure issues in the city, and
- working with, and obtaining commitment from, partner organisations to provide better and more efficient Enterprise, Planning & Infrastructure services across the city.

We have set ourselves key targets in our service areas. These are set out in detail below and are essential in ensuring the effectiveness and efficiency of our services, now and for the coming years.

Delivering these outcomes will be the responsibility of the senior management team of Enterprise, Planning and Infrastructure.

## Vision and priorities

Aberdeen is one of the world's major energy cities.

The challenge for Aberdeen over the next 30 - 40 years is to ensure that it remains a global energy city. Our strategic priorities are therefore to:

- Encourage future economic and business development in the city;
- Deliver an up-to-date development plan for the city;
- Protect and enhance our high quality natural and built environment;
- Support the delivery of a fully integrated transport network;
- Ensure the council's physical assets are managed and maintained in a cost-effective manner; and
- Deliver our statutory responsibilities effectively and efficiently.

In pursuing these priorities we will contribute to the following National Outcomes:

- We live in a Scotland that is the most attractive place for doing business in Europe;
- We realise our full economic potential with more and better employment opportunities for our people;
- We are better educated, more skilled and more successful, renowned for our research and innovation;
- We have tackled the significant inequalities in Scottish society;
- We live in well-designed, sustainable places where we are able to access the amenities and services we need;
- We value and enjoy our built and natural environment and protect it and enhance it for future generations;

- We take pride in a strong, fair and inclusive national identity; and
- Our public services are high quality, continually improving, efficient and responsive to local people's needs.

Over the next five years we plan to deliver our services in a different way with a greater focus on income generation and delivering what we do in partnership with other organisations or businesses. In particular we will be re-examining how we best use and manage the council's assets to both reduce costs and create income.

We will encourage the development of Aberdeen over what will be a critical five-year period for the city and its economy. We will finalise, and then do everything we can, to deliver the content of the Local Development Plan.

Diversification of the economy is vital and Aberdeen is well placed to participate in the renewable energy revolution that is currently underway, but we will need to actively promote Aberdeen alongside our partners in the Aberdeen Renewable Energy Group (AREG) and Aberdeen City and Shire Economic Future (ACSEF). Indeed, it is our intention to be one of the leaders in the UK in developing a proactive, pragmatic approach to encouraging all aspects of a carbon neutral economy and to play a lead role within the European Union and, in particular, the North Sea Commission, in this regard.

We will continue to promote business tourism and to attract more new events to the city whilst investigating new ways to generate funding to help with this important work. We will, in the meantime, continue to support the Aberdeen Exhibition and Conference Centre as an international-class venue in

which to hold major exhibitions and conferences such as Offshore Europe and All Energy.

In the oil and gas sector, we will be working with our partners in ACSEF and others, including Oil and Gas UK, to maximise the investment in the North Sea whilst further developing Aberdeen as an international energy hub, including vital transportation links by air, road, rail and sea.

International trade development has been at the core of our work for over 25 years since the oil price dropped in 1986. We will continue to promote trade development through a number of means, including the Aberdeen City and Shire Export Survey, hosting inward visits, trade missions and seminars as well as our various international development partnerships, including the World Energy City Partnership, our programme of memoranda of understanding and twinning agreements with cities such as Stavanger.

We are currently developing a City Centre Framework to guide future developments in that area and we look forward to taking some significant steps to revitalise what many people see as being one of the most crucial parts of the north east economy. This will, undoubtedly, be a challenging task in the predicted financial climate but we aim to do all that we can to facilitate the redevelopment of Union Street and its immediate environs.

In the meantime, we are almost unique as being a city with its harbour coming right into its centre. The harbour is a vital part of our economic mix and we will work closely with the harbour board to help develop and deliver a master plan for the future success of the wider harbour area and its integration with the city centre and to other adjacent communities.

There are several key projects which we aim to have at various stages of completion during the life of this five-year budget. In the first year we will see the completion of the renovated Marischal College as the council's new corporate headquarters whilst we will also see the completion of the £120m schools 3Rs Project. In the middle years we will see progress with the Energetica corridor from Aberdeen Airport to Peterhead and hopefully the commencement of the Western Peripheral Route. By the end of the five years, the seascape should also look different with the establishment of the Offshore Wind Deployment Centre in Aberdeen bay.

We will be doing things differently and fiscal conditions will be challenging but the foregoing demonstrates that we will be working hard as an Enterprise, Planning and Infrastructure Team to deliver continued economic success and prosperity for the economy despite the relative lack of resources provided to us by our funders.

## Enterprise, Planning & Infrastructure – service overview

	Priority 1: Provide for the needs of the most vulnerable people	Priority 2: Help to ensure that all schoolchildren reach their potential	Priority 3: Manage our waste better and increase recycling	Priority 4: Encourage the building of new affordable housing	Priority 5: Ensure a sustainable economic future for the city	Priority 6: Ensure efficient and effective delivery of services by the council and with its partners
We will work with our partners to attract visitors, workers and investment to protect the economic future of the city	X		X		X	
We will encourage the growth of local businesses through support of existing business sectors and development of new sectors	X				X	
We will facilitate new development projects to improve Aberdeen's living and working environment		X		X	X	
We will provide effective marketing and graphic design services, attract major events and maintain international twinning links to make the city an attractive place to visit and live		X			X	X
We will maintain an up-to-date development plan for the city to give an appropriate strategic context to development within the city	X	X		X	X	
We will protect and enhance our high-quality natural and built environment through support of initiatives including open space, nature conservation, the city's granite heritage and carbon management			X	X	X	
We will support the delivery of a fully integrated transport network to support movement and economic growth	X				X	
We will ensure the council's physical assets are managed and maintained in a cost-effective manner to deliver maximum effectiveness and efficiency in support of our strategic priorities and improve accessibility to our customers	X	X	X		X	X
We will deliver our statutory responsibilities effectively and efficiently					X	X

## Housing and Environment



**Pete Leonard**  
Director

The five-year business plan for this service is to review business modelling in order to maintain its cost-neutral status and create income generation by identifying efficiency projects; high-value work streams; and to tender, capture and maximise service provision to current and future clients and the private sector.

## Trading standards and environmental health service

This service works to keep the public safe from illness from foodborne disease and other environmental health risks. It has a key role in ensuring the health and safety of people employed in shops, offices and other premises not covered by the Health and Safety Executive. These city-wide services include:

- Food and animal feed regulation
- Infectious disease control
- Planning and licensing liaison
- Public health & statutory nuisance
- Pollution control
- Contaminated land
- Pest and dog control
- Mortuary provision
- Port health
- Animal health and welfare regulation
- Control of counterfeit goods and intellectual property
- Regulation of underage sales
- Weights and measures regulation
- Product safety
- Petroleum, fireworks and explosives licensing

The council invests £802k a year in these services. The majority of activities are related to fulfilling a statutory duty.

## Environment services

### Aberdeen Scientific Services Laboratory

This service works closely with public health bodies across the north east of Scotland to help to keep the public safe from illness from foodborne disease and other environmental health risks. The service operates as a cost-neutral (£18k surplus over a gross investment of £876k) statutory service provider of comprehensive, yet highly specialised, testing and advisory service to the public sector, private businesses and members of the public throughout the north east of Scotland. The laboratory meets quality standards and is accredited by UKAS. It is an official control laboratory for food and feed, chemical analysis and microbiological examination. It is also an appointed agriculture analyst and offers a competitive public analyst service.

Trading Standards monitor approximately 3,000 trading premises whilst the Environmental Health/Commercial Team monitor approximately 2,000 registered food businesses a year and 4,000 workplaces where the service has a statutory role in health and safety monitoring and enforcement.

The five-year business plan for this service is to review operations and structure to save money and to provide an agile workforce with flexible teams that are able to respond to emerging and evolving pressures. Potential partnerships other local authorities and government agencies are being explored.

### **Street scene services**

This service works to maintain and improve the high standard of greenspace and streetscape environment for the citizens of Aberdeen. It includes design and maintenance of parks and gardens, amenity land including, arboriculture, countryside services and woodland, play areas, bereavement services including crematoria and cemeteries, allotments, street cleansing, beach cleansing, graffiti and fly-tipping removal and public conveniences. The council invests £8.5 million in grounds maintenance, £3.25 million in street cleansing and £360k in public toilets. Bereavement services' gross budget is £1.265 million and this is covered by income with a £493k surplus.

Current assets/liabilities are: 18.4 million sq m of grass cut between 3 - 14 cuts per year, 1.8 million linear metres of channel to sweep, 13,000 street trees and over 384 hectares of woodland (est. 400,000 trees) plus additional current planting of 200,000 trees, 1,200 litter bins, 800 dog bins, over 170 play areas, 17 cemeteries and the crematorium (approximately 300 burials a year and 2,250 cremations), nine public conveniences, four hectares of beach.

Other assets including benches; footpaths; drainage systems; steps; signs; memorials; walls; fencing; railings; fountains; ponds; statues; and other structures. There are also a number of buildings associated with the service.

The five-year business plan for this service is to look at all opportunities to maximise income generation, drive out service efficiencies and to identify services and assets which can be stopped or reduced. Together with some services from the EP&I directorate alternative delivery models are being explored. The first step in this process is to establish the competitiveness of in-house operations by carrying out a soft market testing exercise early in 2012.

### **Waste services**

This service includes the following service areas: waste disposal, four household waste recycling centres, 50 household recycling points, household waste collections, recycling collections, food and garden waste collections, commercial waste collections and special waste collections.

In 2009/10 the council invested £15.1m net in waste management services (£6.6 collection, £8.4m disposal). This delivered service to 110,796 households and 2,200 trade customers, managing 123,000 tonnes of municipal solid waste, 9,400 tonnes of which was commercial waste, recycled 26.8% of waste equating to 14,720 tonnes of recyclate, composted 12,445 tonnes of kitchen and garden waste, provided recycling collections to 72,000 households (fortnightly), provided food and garden waste collection to 51,000 households (fortnightly), provided some on-street paper to tenement properties. The council through its waste management services contractor (SITA UK Limited) manages its waste through a number of facilities in the north east. The

closed landfill site at Ness Farm is currently subject to a £17 million restoration project.

There are a number of major cost pressures affecting the waste budget over the next five years: National Policy - Zero Waste Plan work towards 70% Recycling, 5% landfill by 2025 and 60% recycling by 2020, Landfill Tax Escalator – rise by £8/tonne per year to £80/tonne in 2014/15, change of landfill disposal point (additional transport costs £13/tonne) potential fines from Scottish Government for exceeding landfill allowances, landfill bans, restrictions on inputs to energy from waste plants and the adoption of a national carbon metric for assessing recycling performance.

The five-year business plan for this service is to review the current waste strategy and develop a number of priced scenarios for implementation of the most effective way to divert waste from landfill and to meet national targets. This is to include potential joint working and investment opportunities with Aberdeenshire and Moray councils.

### **Housing services**

The council owns and manages approximately 23,000 council houses. There is a separate, ringfenced budget and costed business plan for council housing and therefore social housing does not feature in this five-year business plan.

### **Homeless service**

The council has a statutory responsibility for services to the homeless and invests a net £935k in these services. There are presently four hostels and 300 temporary furnished flats, the latter utilised from the council's social housing stock. There has been a substantial increase in homeless

presentations compared to recent years. Currently the council requires to use a substantial amount of bed and breakfast accommodation to meet its statutory duty, which is unacceptable both in cost and the impact on the quality of life of individuals and families. Key issues for this service include:

- Unsustainable cost pressures for temporary accommodation;
- Impending changes in 2012 to rules around priorities which will bring increases in demand;
- Changing emphasis from accommodation to prevention and advice; and
- Pressures on local authority estates.

The five-year business plan for this service is to:

- Reduce demand by investing in additional resources dedicated to early intervention and prevention and support activities; and
- Meet the current demand more cost effectively whilst delivering a better quality of temporary accommodation experience by introducing a private sector leasing scheme designed to relieve pressure from both the use of bed and breakfast accommodation as well as our own housing resources. This may also have a positive impact on reducing demand.

### **Private sector housing**

This service works to protect the public from poor quality private sector housing and maintain the built environment and granite heritage. The service monitors the condition of buildings, provides financial support for disabled adaptations and where necessary enforces repairs. The service works to raise the standard of private rented accommodation by



enforcing Houses in Multiple Occupation (HMO) legislation. The service also manages the statutory registration process for private sector landlords which is self-financing from the registration fees received.

The council currently invests £2,649,603 in private sector housing whilst the HMO license fee income supports the cost of HMO activity. Aberdeen currently has 870 HMO licences in operation.

The five-year business plan for this service is to:

- reduce the costs of the scheme of assistance as part of the transition to new funding arrangements under the Housing (Scotland) Act 2006 with the ending of serious disrepair notices and the associated grants; and
- invest in additional resources to investigate and reduce the number of landlords operating without a HMO license

## **Community safety**

This service provides a customer-focused, highly-visible service to help ensure safety, cleanliness and a free flow of traffic in our communities. Service priorities are:

- To achieve high standards of customer care and satisfaction;
- To improve cleanliness, making effective use of enforcement powers when appropriate;
- To enforce parking regulations to ensure the free flow of traffic and improve road safety;
- To reduce antisocial behaviour, crime and the fear of crime;

- To work in partnership with our communities and partner agencies; and
- To maintain a high profile within our communities.

The city warden service operates across the city and is a net provider of funds for the city through their parking enforcement and other duties. They issue around 46,000 penalty notices and around 350 fixed penalty notices for littering and dog fouling.

The city wardens work closely with key partner agencies, providing a high profile community presence, enforcing parking and some environmental regulations, proactively tackling antisocial behaviour by coordinating council services and external partners to focus their resources at identified individuals, families or locations. Early intervention, crime reduction measures and diversionary activities are the main tools used to reduce the antisocial behavior blighting communities.

Safety is one of the ten priority challenge forums for Community Planning Aberdeen which carries out the statutory role of Community Planning Partnership and the council facilitates the multi-agency Aberdeen Community Safety Partnership to proactively identify and tackle the priority issues across the city. The partnership has produced strategic assessment plans to ensure an intelligence-led business plan approach. The five priority areas identified for 2010 to 2013 in the city are:

- Violence including, alcohol-related violence and domestic violence;
- Community fire safety;
- Antisocial behaviour;
- Road safety; and



- Commercial sexual exploitation.

The five-year business plan for this service is to:

- Review the operation and structure of the community safety service and
- Continue to invest in the Community Safety Partnership strategic priorities within the context of reducing public sector finances.

### **Emergency planning / civil contingencies**

This service provides emergency planning and expertise and support to Aberdeen, Aberdeenshire and Moray councils on a shared services basis. Aberdeen City Council is the employing authority for four staff. The team also has a role in coordinating business continuity activities.

The three local authorities invest £255,612 in these activities. Aberdeen City Council's investment is £96,948

The team works closely with the Grampian Strategic Command Group (SCG) support team, which is managed by the police.

The five-year business plan for this service is to reduce costs by reviewing effectiveness and improving joint working.

## Housing and Environment – service overview

	Priority 1: Provide for the needs of the most vulnerable people	Priority 2: Help to ensure that all schoolchildren reach their potential	Priority 3: Manage our waste better and increase recycling	Priority 4: Encourage the building of new affordable housing	Priority 5: Ensure a sustainable economic future for the city	Priority 6: Ensure efficient and effective delivery of services by the council and with its partners.
We will develop our housing services to be flexible to support the needs and aspirations of our tenants	X	X				
We will improve cleanliness and security in our multi-storey blocks	X					
We will work to protect the public from poor-quality, private sector housing and to maintain the built environment and granite heritage	X	X				X
We will reduce homelessness by improving provision and prevention activities	X	X		X		
We will play our part in partnership working on community safety, protecting vulnerable people, health and wellbeing and other community planning priorities	X				X	
We will retain a large stock of quality, well-maintained affordable housing matching the highest of standards	X			X		
We will build new houses to increase provision of affordable houses for the council	X	X		X		
We will examine the option to create a property services LLP to deliver strategic housing priorities and to raise additional income	X			X		
We will contribute to the regeneration of the city	X				X	
We will develop the waste management services to increase the amount of waste being diverted from landfill			X		X	X
We will contribute to a greener, cleaner and safer city through developing and improving our Grounds Maintenance and Street Cleaning services			X		X	X
We will protect the health, safety and rights of consumers and the public through developing a more focused and improved Environmental Health & Trading Standards service and Public Analyst service	X				X	X

## Corporate Governance



**Stewart Carruth**  
Director

Over the next five years Corporate Governance will see significant structural and cultural change which will result in a high-value, smaller directorate. Many of the services currently provided by Corporate Governance may be delivered in a different way in conjunction with other public and private sector organisations with a continued emphasis on improving the quality of services provided and realising savings. The imperative is clear in so far as the greater the efficiency and effectiveness of support services the more the council can channel its focus and budget on delivering frontline services for the citizens of Aberdeen. The services over the next five years will be delivered within an estimated budget of £30m.

Over the next two years, we will continue to implement the internal transformation of Corporate Governance services. We shall examine the option to externalise in particular though not exclusively, the transactional services in Human Resources and Organisational Development, Finance, ICT and Customer Services.

Through the transformation of these services we are seeking to bring badly needed investment in technology but also to give opportunities to any employees who may transfer to build their skills and develop their careers. We also aim to provide access to tried and tested processes, expertise and know-how for the council and lay the foundation for a broad base in customer growth in the public sector for other providers.

This strategy is not without risk and the role of the retained elements of the council within Corporate Governance will have an important part to play in managing the interface between the rest of the council and the externalised parts of the council. The changes by other services which are reflected within the business plan will impact directly on the type and scale of services provided by Corporate Governance. It is possible that in future other services could decide to commission support services from other organisations and this will drive a greater focus on customer service, price and quality of the service delivered.

In addition, we will develop a framework agreement for legal services and aim to share legal and democratic services with other public sector organisations. There are opportunities to work together within the public sector. However the pace and scale of change requires to be incrementally increased particularly against a background of public sector reform and financial challenges which are impacting on frontline services.

Community planning will also have a key role to play in bringing partners together and there is the need for a greater emphasis on how to deliver more effectively which requires all key partners to understand and make best use of combined resources. There needs to be greater clarity on the purpose of community planning at a time when in many cases services

are being developed and delivered organically at service and community level.

The impact on staff of these changes will be significant, both for transferred and retained staff. This will mean that communication and engagement with staff will be highly important over the period. The Corporate Governance Communications Group has a key role in facilitating this engagement which will be delivered by a variety of means including briefings, drop-in sessions and podcast sessions. Other stakeholders too will require to be engaged on the way ahead and an engagement plan for Corporate Governance will be developed for all our stakeholders including partners, trades unions, and other services.

The delivery of all of this change will place demands on Corporate Governance services. At a high level, the services will simultaneously continue to deliver its business as usual services, support other services and manage its own change. In order to support the delivery of services, service level agreements will be established between Corporate Governance and other services to manage demand, provide clarity and enable performance to be measured. In addition, the establishment of the Programme Management Office will also be key to supporting other services albeit with support from external providers if there is a gap in capacity or capability which is impinging on our ability to deliver.

In summary, public sector reform and financial challenges will over the next five years see significant change within the public sector and this will impact on the council and in the way that Corporate Governance services will be delivered. It will be a challenging time for all staff as well as one that will provide opportunities for staff to build on their skills and experiences.

There will be a scaling down in numbers of staff within the directorate and as far as possible this will be managed through redeployment or natural turnover. Leadership will be required from senior, as well as other staff to ensure that these changes are managed, that staff and other stakeholders are engaged and that opportunity for improved services is grasped.

## Corporate Governance – service overview

	Priority 1: Provide for the needs of the most vulnerable people	Priority 2: Help to ensure that all schoolchildren reach their potential	Priority 3: Manage our waste better and increase recycling	Priority 4: Encourage the building of new affordable housing	Priority 5: Ensure a sustainable economic future for the city	Priority 6: Ensure efficient and effective delivery of services by the council and with its partners.
We will ensure value for money by challenging spend through a priority-based approach to budgeting and planning						X
We will market test and benchmark our services against best in class across a range of sectors						X
We will ensure best value in projects through a programme management framework						X
We will work with our partners to identify and deliver efficiencies from effective procurement						X
We will improve our corporate ICT infrastructure to support the business in cost-effective ways						X
We will engage with other local authorities and public sector agencies to maximise efficiency and income generation						X
We will develop a flexible Corporate Workforce Plan which aligns our workforce with available budget and our priorities						X
We will ensure that services have effective succession planning in place						X
We will review the range of skills on a service-by-service basis and ensure there are highly skilled and motivated employees						X
We will develop and implement a flexible customer services model to enable efficient and high-quality service delivery, ensuring skilled and motivated employees						X
We will systematically engage internal customers, external customers and our partners, embedding their feedback to shape the services we deliver						X
We will actively engage with partners to develop effective community planning, building new relationships and pursuing innovative approaches to service planning, including a delivery model based on the place and a review of the city's regeneration strategy.	X				X	
We will determine the quality and level of services that a third-party provider would be able to provide with a view to externalising those elements of service						X

## 5.2 How we will deliver

Over the next five years the delivery of the services within the council will change significantly. As we respond to the changing demands, increasing financial constraints, a greater understanding of customer requirements and emerging technological advances, the type, level and shape of service will be altered to meet these demands.

As a result, we will develop a new operating model for the council which will be supported by a set of guiding and mandated principles for managing the council and its business.

The principles set out in the operating model will be constantly revisited to ensure that targets are permanently aligned to best in class performance.

The opportunity exists within the operating model to be radical and the council will take the opportunity to set out areas of genuine and real innovation.

The operating model will reflect the organisational priorities, political imperatives and local circumstances. Members will be involved in determining the principles and direction of the operating model – but the detail and accountability for delivery will be owned by the Chief Executive and the Senior Management Team.

The operating model will set out a much more sophisticated picture of a mixed economy of service provision and will also reflect that the council is very clear in what is core and what is non-core business and we will structure and manage the council accordingly.

This sophisticated mixed economy indicates a multitude of delivery options including in-house service provision, shared services, joint ventures, arms length organisations as well as partnerships and contracts with the public, private and third sector organisations (community, voluntary and social enterprises).

New delivery vehicles will have multiple purpose including direct delivery of services and providing services to multiple agencies and organisations.

Whilst recognising that a great deal of work has already taken place to restructure, review capacity and streamline internal processes to drive out inefficiencies – it is important that this programme continues to deliver benefits into the future. The operating model will exploit all potential funding, including EU funding, social investment, partnerships with the private sector and regional growth funds. This will also include delivery models that enable the authority to generate additional income streams (through charges and selling services, including to other local authorities).

The city council will also lead a collaborative approach and deliver services with our partners on a city-wide basis.

All of this activity will mean that we need to put in place systematic engagements with staff and trade unions in order that they are informed and involved in the design, development and delivery of services.

In order to deliver, the council will move from a project to a programme-based approach and our performance indicators will be more meaningful and will provide a focus for the delivery of the business plan. Targets will equally focus on supply-side performance measures and demand-side

management measures. By supply-side we mean measures that look at the resources, funding and services that the authority provides. By demand-side, we mean measures that seek to manage the volume of service either directly or indirectly including managing down the demand for higher cost interventions.

With this as context, the implementation of this business plan and delivery of services will be based on the following principles:

**1. Transform the way public services are delivered:**

- To provide better value in public sector spending across the city, which is focused on better services delivering outcomes more efficiently and effectively. This will be achieved by developing new ways of delivering services and rewarding and recognising good performance as well as challenging poor performance.

**2. Focus investment for long-term sustainable economic growth of the city and surrounding area:**

- To secure new long-term, private sector investment hand-in-hand with developing our own assets to deliver

affordable housing, to reshape the delivery of education and culture and to develop sustainable communities

**3. Deliver services which meet people's needs:**

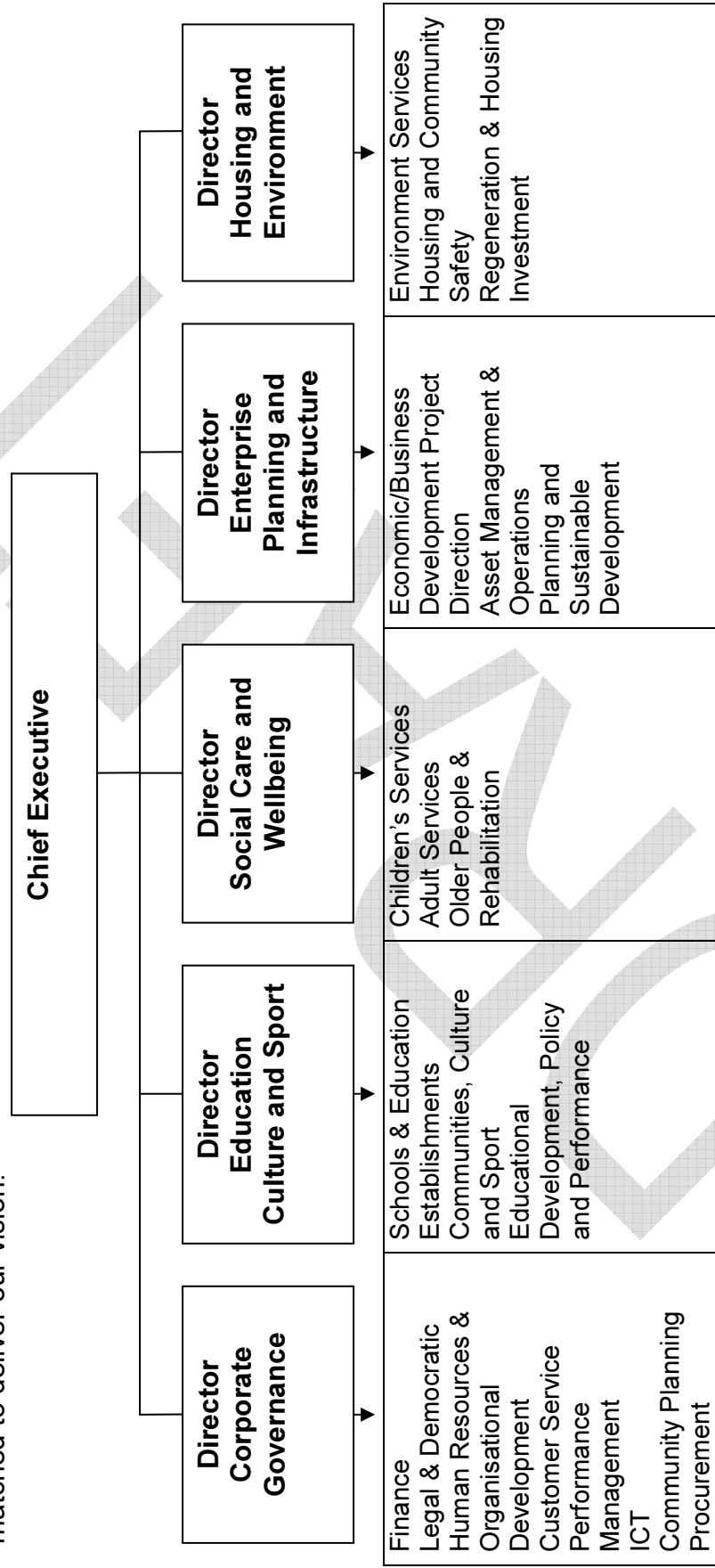
- To understand the needs of citizens who live and work in Aberdeen and deliver services which meet those needs. This will also mean building capacity within communities which will encourage citizens to become involved and to take responsibility for delivering services.

**4. Work in partnership with other public sector organisations, the private and the voluntary sectors:**

- To foster integrated working between sectors to optimise public, voluntary and private spend for the benefit of the citizens, communities and organisations working within the city.

### 5.3 The team to deliver

Our vision sets out the need for a highly skilled and motivated workforce which will deliver high-quality, cost-effective and customer-centric services. Building on the knowledge and ability which we already demonstrate, we are committed to learning from others and developing our skills further. The management structure of the council is shown in figure 5 below together with areas of responsibility. During the next five years we commit to a review of the structures within the council to ensure our resources are best matched to deliver our vision.



**Figure 5**



## **(i) Our approach to employee engagement**

Successful delivery of the service options outlined in the business plan is dependent on the quality and commitment of our employees. We recognise that we already have a workforce which has a strong public sector and work ethos and is motivated to do a good job for the citizens of Aberdeen.

The challenge over the next five years will be to continue to deliver high quality services with a smaller core workforce, a restricted budget and increasing customer expectations. This will depend on how well we engage our employees and will require a much greater emphasis on and understanding of employee engagement.

‘Engaged’ employees understand the business needs, are committed to their work and add value to the organisation. Effective employee engagement has been shown to benefit organisations through increased performance and retention. It also benefits employees through greater job satisfaction and ultimately customers through positive impact on service delivery.

Engagement depends on how the organisation deals with a number of factors including:

- How we communicate
- How we work together as colleagues, teams, services and with partners
- The quality of our leadership and management
- How we treat our employees in terms of being fair, flexible and family friendly
- How we manage performance and reward our employees
- How well we manage our employees’ health, safety and wellbeing
- The availability of training, development and career opportunities
- How satisfied employees are with their work and with their employer.

The level of current satisfaction with the above was measured through the 2010 Employee Opinion Survey. An action plan has been put in place to build on the positive outcomes of this survey and at the same time bring about improvements in areas such as performance and appraisal, communication and job satisfaction.

As part of this action plan, and in delivering on the business plan, we are also committed to providing:

- Strong, visible leadership
- Clarity of vision and direction
- Open and honest communication on decisions affecting employees at as early a stage as possible

- Mechanisms for employees to feedback views, suggestions and innovations
- Consultation and involvement, where this is possible, information where it is not and clarity of which is being offered.
- Ongoing and regular monitoring of employee engagement through a range of means including focus groups, briefings and technology.

## 6. Financial plan

### 6.1 How we are funded

The council receives funding through a number of sources, which include:

- General revenue grant;
- Council tax;
- Non-domestic rates;
- Fees and charges.



Fig. 6

Figure 6 shows the percentage of council funding by source.

### 6.2 Assumptions

The following assumptions have been made (and are by no means exhaustive) within the five-year business plan.

- General revenue grant is assumed to increase as follows:
 

	Year 2	Year 3	Year 4	Year 5
	0.35%	0.72%	1.00%	1.00%
- Council tax continues to be assumed frozen at 2011/12 levels until year 3 of the business plan with a 2% increase thereafter. A small increase in the number of council tax properties is assumed of approximately 400 per annum.
- No pay awards have been built into the business plan for year 1 for any staff group, and thereafter 1% has been assumed;
- Demographic changes in the population have been included within the model;

- Additional cost pressures and reductions for additional waste disposal costs and Landfill Allowance/Tax net impact is estimated based on current legislation;
- It is assumed that the council will be subject to the new carbon accounting regulations and this has therefore been factored in;
- Increased cost of homelessness and the increasing trends of people presenting themselves as homeless;
- Provisions and specific allowances are captured within the model for items such as non-domestic rates, capital financing charges, utility bills etc.
- An allowance for alternative service-delivery models has been made;
- Any cost of redundancy associated with service options based on a voluntary scheme is inherent within the model and based on the current profile of employees within the council;
- A capital programme of £31 million in 2012/13, £23M in 2013/14 and £24M in 2014/15 has been assumed. Future capital programme will be dependent on the level of capital grant received from the Scottish Government and is predicated on achieving a 3 year funded programme rather than the traditional annually funded programme;
- An average loans pool rate of between 4.75% and 5% has been used over the period of the business plan.

It can be seen that the complexities of an organisation that provides a wide-ranging list of services does require a great deal of estimation to project into the future. This is done in a time of economic uncertainty within both the United Kingdom and world economies.

### 6.3 Funding, spend and savings

The council's expected funding, spend and savings which are based on these assumptions are:

	Year 1 (2012/13)	Year 2 (2013/14)	Year 3 (2014/15)	Year 4 (2015/16)	Year 5 (2016/17)
Funding	£'000	£'000	£'000	£'000	£'000
Current spend	(459,600)	(461,821)	(465,244)	(471,908)	(475,947)
Indicative shortfall	462,198	466,902	469,327	474,883	485,877
	2,598	5,081	4,083	2,975	9,930

**Figure 7**

(Note: brackets demonstrate income)

The council approved its 2012/13 general fund revenue budget on 9 February 2012 which set the budget for that financial year and agreed the implementation of a number of service options. The following service options were approved in 2012/13 and the net savings from these options are:

Service options accepted:	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Corporate Governance	(402)	(410)	(410)	(400)	(810)
Social Care and Wellbeing	(96)	(96)	(96)	(96)	(96)
Education, Culture and Sport	(113)	(113)	(113)	(113)	2,989
Housing and Environment	(386)	(261)	(262)	(264)	(265)
Enterprise, Planning and Infrastructure	(538)	(492)	(482)	(482)	(462)
Council-wide options	(1,020)	(1,020)	(1,020)	(1,020)	(1,020)
Office of Chief Executive	(43)	(43)	(43)	(43)	(43)
<b>Total service options</b>	<b>(2,598)</b>	<b>(2,435)</b>	<b>(2,426)</b>	<b>(2,418)</b>	<b>293</b>

**Figure 8**

This clearly demonstrates the council's commitment to implementing a fully-costed business plan over the medium term, with some £10 million of savings being delivered by 2016/17.

Notwithstanding the service options in figure 8 that have been accepted by council, the resulting gap will be filled by further service options which will be considered as part of the iteration process of reviewing the business plan for future years. In

addition, it is likely that over the period of the five years, there will be significant changes in the level of funding and spend which will impact on the level of savings required.

#### 6.4 Sensitivity analysis

The table below illustrates how the cost base would vary annually given a different set of assumptions:

	Year 2 (2013/14)	Year 3 (2014/15)	Year 4 (2015/16)	Year 5 (2016/17)
1% per annum	£'000 4,575	£'000 9,173	£'000 13,822	£'000 18,854
0% years 2/3, 2% thereafter	0	0	9,298	18,843

**Figure 9**

A 1% pay award each year increases costs annually by approximately £3.5 million where extending the pay freeze for an additional year results in a saving for year 2.

The other major cost the council incurs is in relation to the capital programme and the revenue impact on additional borrowing. For every £1 million of additional borrowing the result is an additional charge of approximately £75,000 per annum. Therefore, this clearly demonstrates the need for the council to maintain the current projected level of capital investment.

Finally, there are a number of factors which the council is required to comply with, either through legislative requirements or because they are formed by national agreements.

There are a number of examples that relate to legislative requirements such as waste penalties which are placing an increased burden on the council's cost base as national and international targets are imposed upon local authorities. This places an additional revenue burden on the 2012/13 revenue budget of £659K

Conversely, there are a number of national agreements that the council has entered into which need to be reviewed as they are no longer sustainable or affordable in the medium term. Again, as an example, this would include the McCrone Agreement which directly impacts on teaching staff. This agreement influences and shapes the number of contact hours teaching staff have with pupils as well as their overall arching terms and conditions all of which are aimed at improving the standard of teaching.

Again putting this in context if the contact time was increased within all primary and secondary schools the council would be able to achieve over £7 million of reduced costs annually. This is now being addressed through the settlement agreement with the Scottish Government.

In summary, as the sensitivity analysis demonstrates, it is highly likely that the levels of funding, costs and shortfalls will change, resulting in a further review of the service options.

## 7. How will we measure our performance?

This impact of the delivery of this business plan will be measured in the following ways:

### 1. Public service value

Measuring public value focuses both on the public investment in services and on the delivery of improved results for citizens and communities. Through the evaluation of outcome measures we will demonstrate the impacts, benefits and consequences of the activities driven through the business plan and through the recording of whole system accounting we will show the cost of those activities. Following the formal agreement of the council's budgetary options in February 2012, a model of public service value will be populated for this business plan, linking our priorities to local outcomes each of which will be monitored through the appropriate metrics.

### 2. Self-evaluation

The council has begun, and is developing, a programme of self-evaluation using the model 'How Good is Our Council?' As well as being an important tool to manage improvement, self-evaluation by councils is a requirement of phase two of Audit Scotland's arrangements for The Audit of Best Value and Community Planning (BV2).

### 3. Regulation and inspection

The various bodies responsible for inspection and regulation of the council's service, operating as a Local Area Network, currently undertake an annual rolling evaluation of the council and develop a risk-based assurance and improvement plan (AIP). The AIP has three elements to it:

- An assessment of performance against outcomes
- An assessment of the performance of individual services
- An assessment of corporate management arrangements

The inspection and regulation timetable for 2012/14 is shown overleaf:



**Assurance and Improvement Plan**

<b>2012-13</b>	
<b>Issues for scrutiny /improvement</b>	<b>Scrutiny bodies / Council potential involvement</b>
Shared Risk Assessment / revised Assurance and Improvement Plan	Local Area Network (LAN)
Targeted Best Value corporate assessment work	Audit Scotland
Competitiveness	LAN (scrutiny and /or supported self-evaluation), Aberdeen City Council (self-evaluation)
Corporate Improvement Plan: subject to annual external audit	Regular monitoring throughout year - appointed external auditor
<b>2013-14</b>	
<b>Issues for scrutiny /improvement</b>	<b>Scrutiny bodies / Council potential involvement</b>
No additional work identified	

## **8. How do we manage risks which might impact on the delivery of the business plan?**

Risk management is central to strategic planning and operational delivery within the council. As with any plan, there are current, and there will be future, risks which impact on the delivery of this business plan. An assessment of business; political; financial; technological; legislative; people; customer / citizen; environmental; partnership; social; management / professional risk has been carried out and risks have been identified and evaluated in terms of the likelihood of their occurrence and the impact these could have. Significant actions to mitigate these risks have been put in place and further mitigation will follow.

The overall level of risk will be continuously reviewed, reported to and considered by senior managers and elected members. Each project within the overall programmes of work initiated to deliver the business plan will consider and actively manage project risk.

The overall governance arrangements for risk management are shown in figure 10 overleaf.

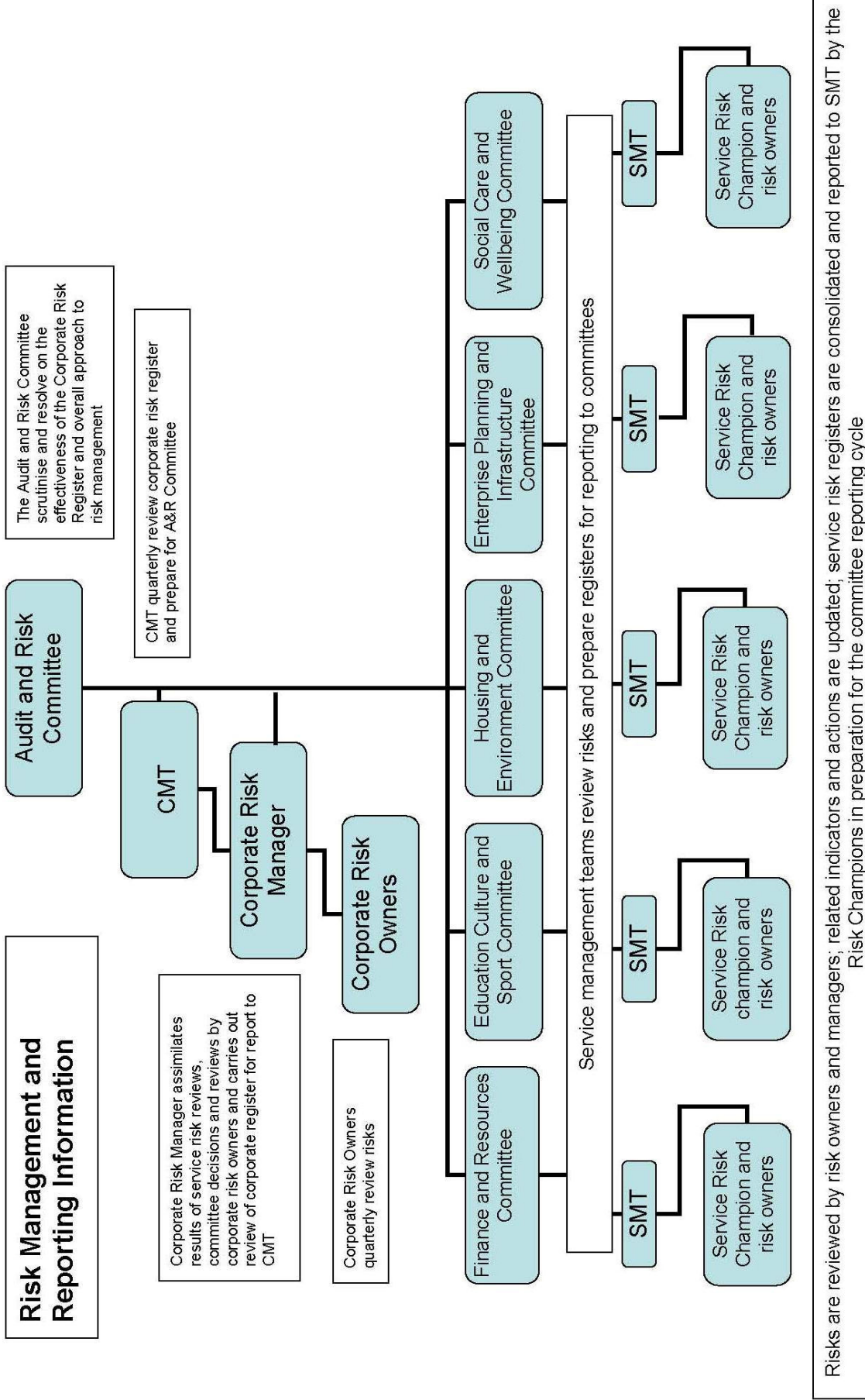


Figure 10

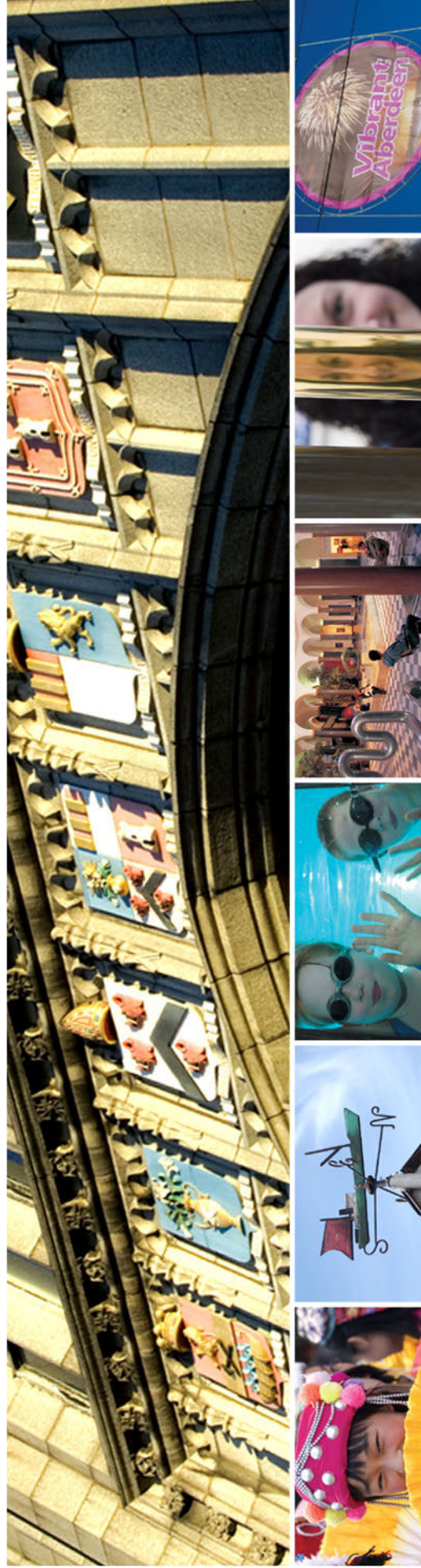
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# Aberdeen City Council

Priority Based Budgeting: Final Draft Report (version 1.1 - Council)

3 November 2011

## Appendix 5



# Executive Summary

(version 1.1 – Council)



## Context

In February 2011 the Council approved £71.5m of savings options over 5 year period and has delivered more than £15m of savings in 2011/12. This report identifies further savings options to deliver the Council's approved 5 year Business Plan.

The options contained within this report were identified at service level and subsequently discussed and agreed by the Council's Corporate Management Team.

The Priority Based Budget exercise, which has been recognised by Audit Scotland as an exemplar has replaced the more traditional approach of budget setting. This longer term approach has enabled officers to think radically about how to deliver key services with a reduced cost base.

The 5 year Business Plan outlines a vision for Aberdeen which means that current service delivery models need to be challenged and redesigned to deliver Aberdeen City Council ("ACC") services. This is a challenge for this Council, and will require significant increase in joint working with other public, voluntary and business sector partners within the region, building on the initial conversations that have been undertaken in joining up service delivery to the community.

## Summary of new options by 2016/17

Directorate	Contribution	% of overall saving
Social Care & Wellbeing	£1.8m	5%
Education Culture & Sport	£28.3m	79%
Housing & Environment	£2.7m	8%
Enterprise Planning & Infrastructure	£0.5m	1.4%
Corporate Governance	£1.8m	5%
Corporate Savings	£0.6m	1.6%
<b>Totals</b>	<b>£35.7m</b>	<b>100%</b>

This report outlines an additional £36m of potential savings options over a 5 year period to 2016/17. Of this, £15.6m have been highlighted as having a high implementation risk. This is in addition to the 5 year figure of £71.5m of savings which were approved through the PBB process in 2010/11. These options are included for information only as they have already been approved by Council in February 2011.



# Executive Summary Update on Financial Position

(version 1.1 - Council)



The 5 Year Business Plan was approved by Council in August 2011 for the five years 2011/12 to 2015/16. This identified a package of service options which would deliver £71.5m of savings by 2015/16. The value of savings approved for the first year of the Business Plan (2011/12) was £15.6m, of which £15.4m is on track to be delivered. Any shortfall is being covered by efficiencies within services.

Work has been ongoing to update the 5 year Business Plan as it is a rolling programme. The current position regarding expected funding, taking into account the options which were approved by Council on 10 February 2011 for **2011/12 to 2015/16** is as follows:

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Funding	(450,311)	(441,662)	(434,959)	(431,560)	(431,354)
Other Funding	(10,276)	0	0	0	0
Projected Spend	476,164	491,655	511,500	526,276	536,717
Indicative Shortfall (10 <sup>th</sup> February 2011)	15,577	49,993	76,541	94,716	105,363
Total Service Options Approved (10 <sup>th</sup> February 2011)	(15,577)	(39,735)	(57,195)	(65,308)	(71,575)
Revised Deficit/(Surplus)	0	10,258	19,346	29,408	33,788

# Executive Summary Update on Financial Position

(version 1.1 - Council)



A review has been undertaken of all cost / demand pressures the Council is likely to have to address, and assumptions made on the expected financial settlement from the Scottish Government. The PBB process has identified savings which, if chosen, can cover the anticipated shortfall for the period 2012/13 to 2016/17; this will feed into an updated 5 year Business Plan.

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
<b>Revised Deficit/(Surplus) (from table Page 3)</b>	<b>10,258</b>	<b>19,346</b>	<b>29,408</b>	<b>33,788</b>	<b>n/a</b>
Increased Income Projections	(3,559)	(750)	(1,480)	(6,060)	n/a
Reduced Expected Cost pressures	(3,099)	(10,867)	(18,906)	(19,629)	n/a
<b>Estimated Deficit/(Surplus)</b>	<b>3,600</b>	<b>7,728</b>	<b>9,022</b>	<b>8,099</b>	<b>15,714</b>
<b>New Service Options</b>					
Total New Service Options	(12,227)	(15,722)	(27,891)	(36,550)	(35,830)
<b>Revised Deficit/(Surplus)</b>	<b>(8,627)</b>	<b>(7,994)</b>	<b>(18,869)</b>	<b>(28,451)</b>	<b>(20,116)</b>



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<b>Section 4</b>	<b>Dependencies</b> <ul style="list-style-type: none"><li>» Dependencies</li><li>» Impact on Capital Plan</li></ul>	<b>page 45</b>
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**Note: a glossary of terms is included at the end of this document**



**Section 1**  
**CONTEXT AND APPROACH**  
(version 1.1 - Council)

## Overview



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In 2010, the future funding challenge faced by the Council required a more radical approach to ensure funds were allocated to deliver agreed prioritised service outcomes. A priority-based budget (“PBB”) approach was therefore taken to determine future service and cost commitments to bridge the 5 year funding gap. This is year 2 of the PBB approach to budget setting.

Aberdeen City Council has:

- ▶ The second lowest funding per head in Scotland and
- ▶ Already identified £72m of savings by 2015/16 through the PBB approach.
- ▶ Delivered £15.6m in 2011/12.

However:

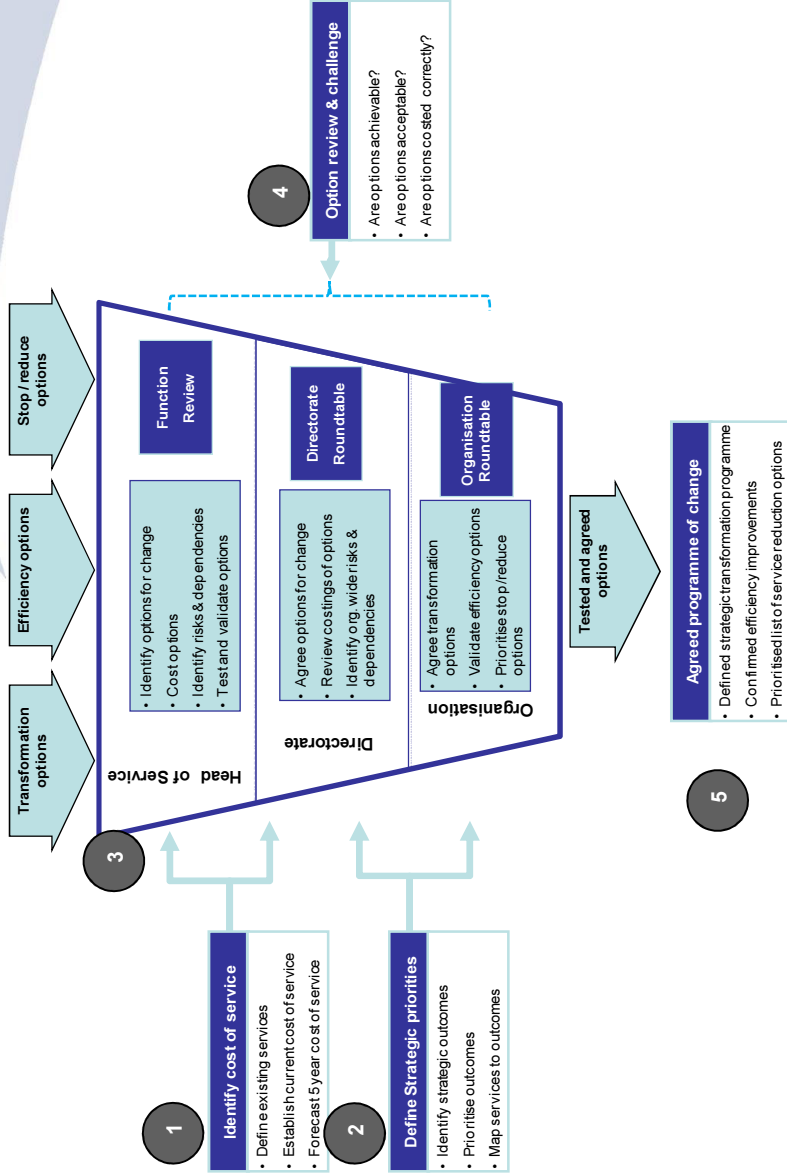
- ▶ Expectations and demand for services continues to increase
- ▶ The cost of services is forecast to increase by approximately 5.5% over the next five years and
- ▶ This funding gap is currently estimated to be £16m in 5 years

The following are key elements of the priority-based approach:

- ▶ Prioritisation of ACC’s desired outcomes and linking the priorities to services to gain an understanding of services which contributed most and least to the organisation’s goals.
  - ▶ Establishment of the current and future costs of services and greater transparency of the drivers of costs and income.
  - ▶ Development of a range of options to address the funding gap over the next 5 years.
  - ▶ Review of all council services during the project . Options were identified in collaboration with Directors, Heads of Service and Service Delivery Managers.
  - ▶ Service Representatives and Service Accountants provided rigour on assumptions and financial modelling during the process.
- A summary of the Priority Based Budgeting (“PBB”) approach is set out on the next page.*

## Section 1 Context and Approach (version 1.1 - Council)

# Overview of PBB Process



As outlined in the diagram on the left, there are five key elements to the PBB process:

1. Understand the significant areas of spend and forecast the cost and demand pressures.
2. Understand how services contribute to the organisation's strategic priority outcomes. Map costs to priorities and understand where marginal decisions are needed.
3. Develop transformation, efficiency and stop/reduce options for reducing expenditure.
4. Test the feasibility and benefits of each option throughout the process.
5. Agree a Directorate package of transformation, efficiency and stop/reduce options to take forward which are then prioritised against outcomes.

Following discussion by the Corporate Management Team ("CMT") and approval by elected members, these options will then be translated into the updated 5 Year Business Plan and budget.

The development of service options was an iterative process at Head of Service, Directorate and organisation level. Options evolved and were filtered out during each stage of review.

## Definition of Option Categories



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**Service options were categorised into three groups to compare options across Directorates and facilitate decision making at the Corporate Roundtable**

### **A. Efficiency options**

Options that do not change the nature of the existing service, but focus on it being delivered more efficiently and effectively.

Some of these options may have barriers to immediate delivery.

### **B. Transformation options**

Options which change the nature of the service delivery.

This relates to opportunities that will achieve material benefits to the Council but will require additional resource and planning to achieve the stated savings.

### **C. Stop / Reduce options**

Options that stop or reduce the level of service provided or reduce the number of clients it is available to.

All options have been ranked in the context of the Council's priority outcomes. Within Section 3 of this report items beneath the "red line" within a category received a low ranking and are not recommended for progression.

Some options may have risk associated with delivery, for example requiring changes to legislation or national agreements. These options have been highlighted.

The options which have been previously approved by Council in 2011 are for information only.



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## Section 2

# ACC CONSOLIDATED SUMMARY

(version 1.1 - Council)

Section 2 Consolidated Summary (version 1.1 - Council)

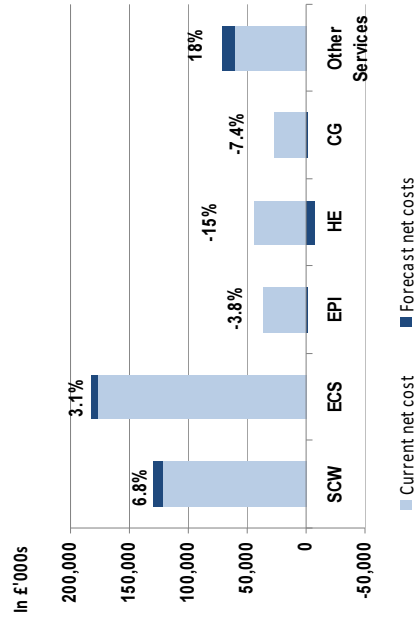
# Current and future cost of services



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**The 2011/12 net cost of all Aberdeen City Council services is £467 m. This cost is forecast to rise to £482m by 2016/17.**

Current and forecast 5 year net cost by Directorate

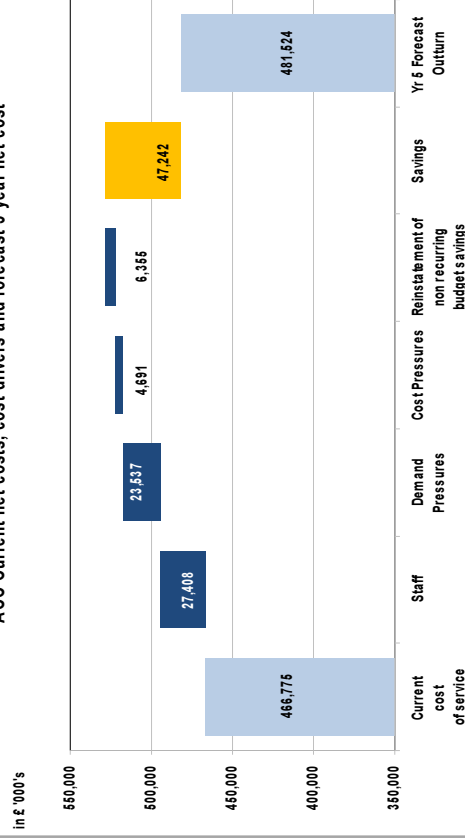


Social Care & Wellbeing along with Education Culture & Sport account for 73.6% of ACC's total net costs (£299m)

The net costs of these two Directorates is forecast to increase by £14m by 2016/17.

Other Services includes Council Expenses, Joint Boards, Office of Chief Executive and Miscellaneous Services.

ACC Current net costs, cost drivers and forecast 5 year net cost



The cost pressures that will impact on services over the next 5 years are driven by:

- Continued inflationary pressures within the economy
- Staff pay awards have not been incorporated into the 2012/13 cost pressures. However, a 1% pay award annually will add another £3m per year of cost pressures into the 5 year Business Plan
- Demographic changes causing an increase in demand for services
- Increasing costs of externally commissioned services
- Increasing requirements of services (due to environmental considerations and repair and maintenance needs of existing infrastructure and assets).

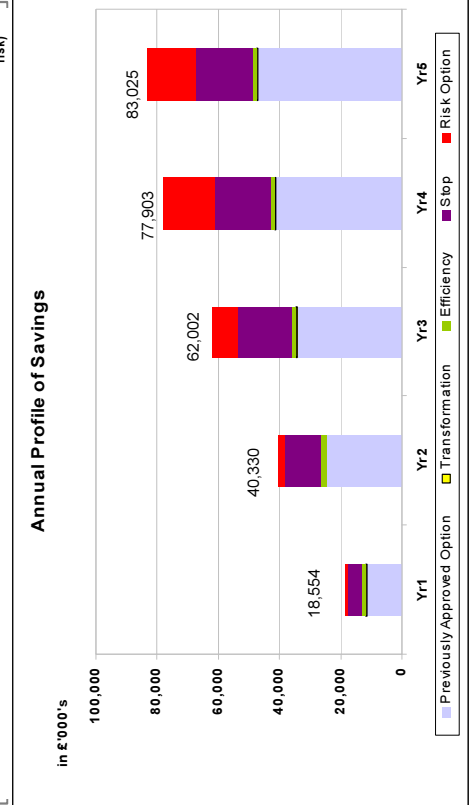
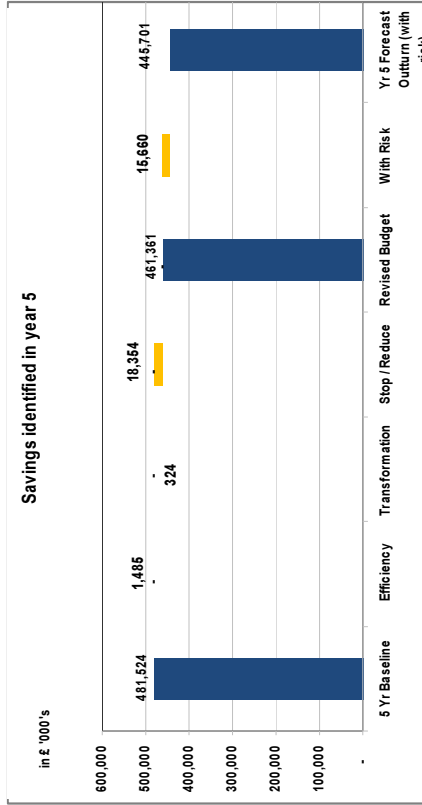
## Section 2 Consolidated Summary (version 1.1 - Council)

# Summary of consolidated savings



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**Additional savings of £35.7m over 5 years have been identified, representing 8% of the total forecast 5 year baseline. This includes savings from higher risk options that will require national change in policy and the revenue impact of some significant capital investment.**



Directorate	Contribution	% of overall Directorate 5 year costs	% of overall saving	Risk adjusted element
SC&W	£1.8m	1.4%	5%	£1.6m
EC&S	£28.3m	15%	79%	£12.8m
H&E	£2.7m	7.6%	8%	£nil
EP&I	£0.5m	2.1%	1.4%	£nil
CG	£1.8m	6.9%	5%	£1.2m
Corporate Savings	£0.6m	n/a	1.6%	£nil
Totals	£35.7m	n/a	100%	£ 15.6m

• Risk options are highlighted within individual Directorate summaries in the following pages.

- All savings have been calculated at current costs.
- Redundancy costs are included.
- Unless otherwise stated, capital expenditure and receipts have not been included.



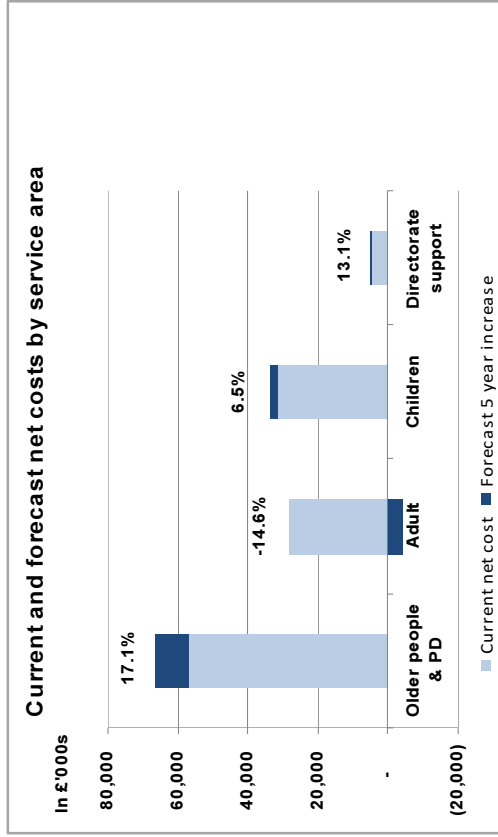


**Section 3**  
**SERVICE OPTIONS**  
(version 1.1 - Council)

# Social Care & Wellbeing (SC&W): Cost of services

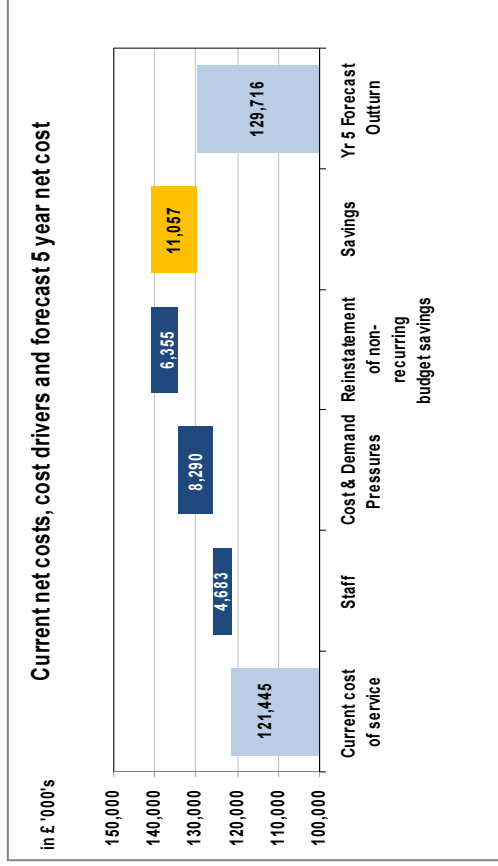


**The 2011/12 net cost of Social Care and Wellbeing services is £121m. This cost is forecast to rise by 6.8% to £130m by 2016/17.**



Older People and Adult Physical Disability services have the largest current net costs (£57m) and have the largest 5 year forecast cost pressures (17.1%).

The effect of the entire Directorate forecast cost pressures will be an increase in the proportion of total net costs incurred by Older People and Adult Physical Disability services, from 46.9% to 51.4%.



The cost pressures that will impact on SC&W services over the next 5 years is driven by:

- An increase in demand for services due to an ageing population;
- Rising ACC staff costs, and
- An increase in the cost of services commissioned externally

These cost pressures are marginally offset by a forecast increase in income due to the rising levels of demand.

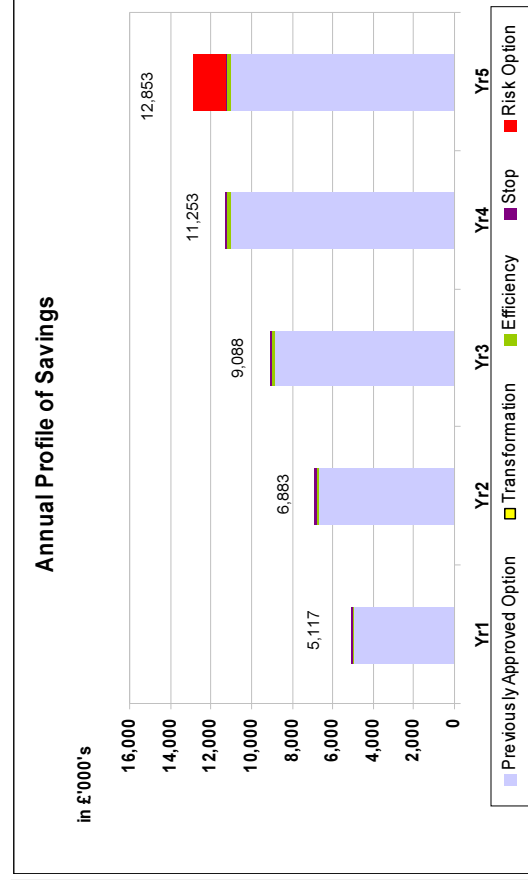
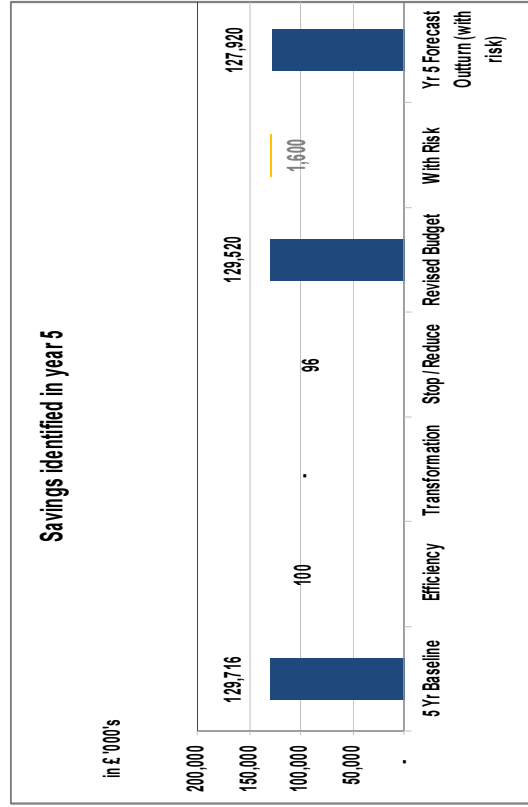
## Section 3 Service Options (SC&W) (version 1.1 - Council)

# Summary of SC&W savings



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- A total of £1,796m of new savings options have been identified for Social Care & Wellbeing services. This is in addition to the £11m of savings already approved. These savings represent 5% of the Directorate 5 year baseline.



Savings will be achieved through a combination of more effective assessment and management of client needs such that they can be met by a lower cost of services, and options that seek to reduce the unit cost of services through measures such as externalising services and improved commissioning arrangements.

## Section 3 Service Options (SC&W) (version 1.1 - Council)

# SC&W: Transformation options



Transformation options will manage levels of increasing demand and meet individuals' needs more cost effectively through:

1. Transforming the assessment & care planning process
2. Promoting prevention through early intervention
3. Reducing residential care
4. Re-designing adult day support
5. Delivering outcomes focused commissioning

<b>FOR INFORMATION ONLY: Transformation Options which have already been approved</b>			
Reference	Option description	Value in Yr 5 (£k)	Comment
SCW6	Review workforce skill mix to reduce the number of professional staff and replace with para-professional staff	45	
SCW14	Reduce the number of specialist care placements for children and young people by redesign and small addition to existing local services	700	Requires capital investment
SCW15	Redesign of Family and Community Support Services	316	
SCW16	Investment in local fostering and adoption capacity	223	
SCW18	Move to personalised budgets for people in receipt of home care services	645	
SCW13	Jointly commission service with other organisations	500	
SCW21	Establishment of a LA trading arm	585	
SCW1	Redesign of learning disability	7,308	
SCW22	Introduction of electronic monitoring for care at home services	47	
<b>TOTAL</b>		<b>10,369</b>	

## Section 3 Service Options (SC&W) (version 1.1 - Council)

# SC&W: Efficiency options



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Efficiency options will deliver better value for money on services provided by:

1. Improving existing commissioning arrangements with 3rd party provider
2. Commissioning more services externally
3. Ensuring individual clients have the most cost effective care packages suitable to meet their level of need
4. Improving internal processes and practices

FOR INFORMATION ONLY: Efficiency Options which have already been approved			
Reference	Option description	Value in Yr 5 (£k)	Comment
SCW8	Stop subsidising criminal justice social work – provide only with Northern Community Justice Authority grant	280	
SCW5	Re-evaluate social work contribution to Integrated Addiction Services	51	
SCW17	Renegotiate commissioned services from the third sector in community & youth justice	44	
<b>TOTAL</b>		<b>375</b>	

New Efficiency Options			
Reference	Option description	Value in Yr 5 (£k)	Comment
SCW32	Review Kinship Payments	50	
SCW31	Review Social Work charging policy	50	
<b>TOTAL</b>		<b>100</b>	

## Section 3 Service Options (SC&W) (version 1.1 - Council)

# SC&W: Identified Stop / Reduce options



It is assumed that all of these options are undesirable and implementation of these options is dependent on the size of the funding gap and the savings that can be achieved from transformation and efficiency options.

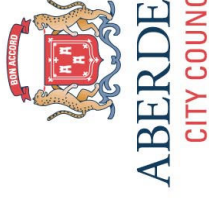
All Stop / Reduce options have been ranked in order of 'least undesirable' in the context of the Council's priority outcomes. This ranked order reflects the order in which these options would be implemented up to the point that the remaining funding gap could be filled.

FOR INFORMATION ONLY: Stop/Reduce Options which have already been approved			
Reference	Option description	Value in Yr 5 (£k)	Comment
SCW10	Stop funding community carers & room to care	21	
SCW25	Reduce Directorate and policy and strategic development by 50%	292	
New Stop/Reduce Options			
Priority ranking	Reference	Option description	Value in Yr 5 (£k)
34	SCW27	Reduction of Under Commitment in Voluntary Organisation Payments	96
35	SCW29	Request payment holiday from Grampian Data Sharing Partnership	0
88	SCW33	Stop Funding Mental Health Day Care	1,000
84	SCW34	Reduce threshold for service eligibility/provide emergency care only	0
85	SCW36	Stop provision of Integrated Community Drug rehab Support Services	600
<b>TOTAL</b>			<b>1,696</b>

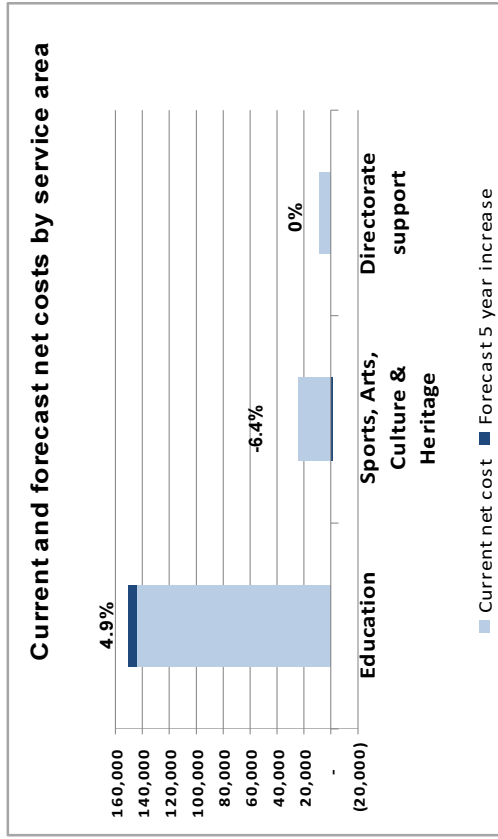
CMT preferred order of implementation, ranked against Council priorities. Items below the red line are not recommended for progression

Section 3 Service Options (EC&S) (version 1.1 - Council)

# Education, Culture & Sport (EC&S): Cost of services

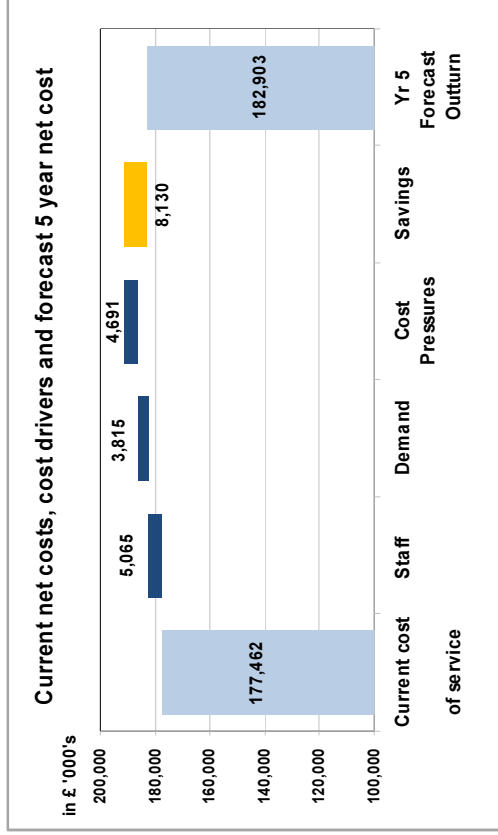


The 2011/12 net cost of Education, Culture and Sport services is £177m. This cost is forecast to rise by 3.1% to £183m by 2016/17.



Within EC&S, Education services account for the majority of current net costs (£144m) and have the largest 5 year forecast cost pressures (4.8%).

The effect of the entire Directorate forecast cost pressures will be a slight increase in the proportion of total net costs incurred by Education services, from 81.3% to 82.5%.



The cost pressures that will impact on EC&S services over the next 5 years are driven by:

- Rising cost of staff, in particular nationally set teacher's T&Cs
- An increase in demand for services due to changing demographics and rising instances of Additional Needs.

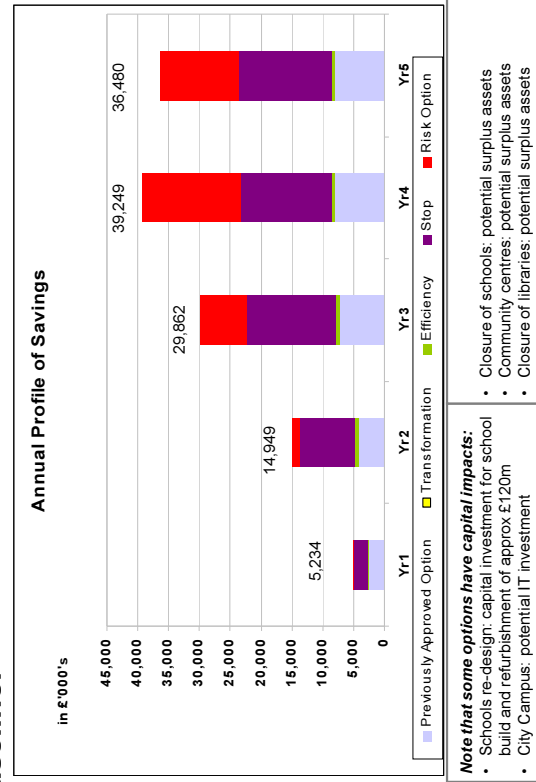
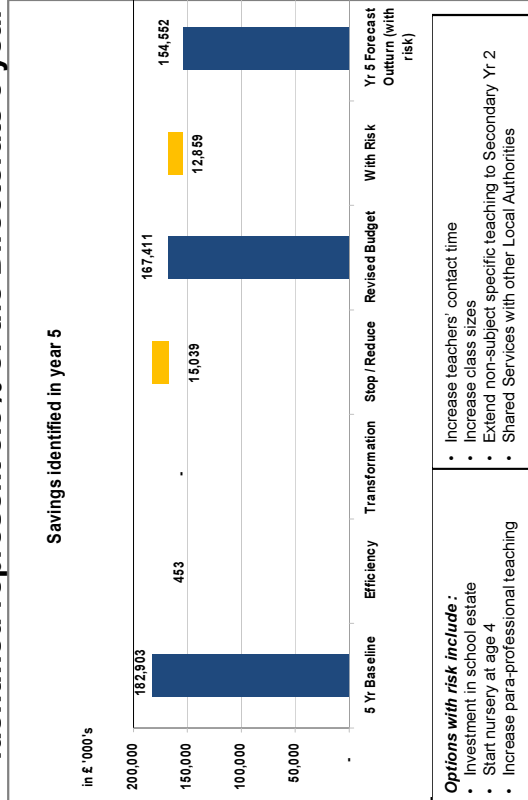


## Section 3 Service Options (EC&S) (version 1.1 - Council)

# Summary of EC&S savings



- A total of £28.3m of new savings options have been identified for Education, Culture & Sport services. This is in addition to £8.1m of savings already approved.
- £12.8m of identified savings come from high risk options and can only be achieved with changes to national agreements.
- Total savings represent 15% of the Directorate baseline. The £15.5m of core savings which have been identified represent 8.5% of the Directorate 5 year baseline.



The greatest savings can be achieved from high risk options relating to changes to traditional staffing models and a significant change in the delivery of Education services. These options require negotiations with unions and national government, along with a shift in public expectation.

Otherwise, the largest savings from this Directorate come from reducing or stopping services.

Phasing of options reflects the lead time needed to implement high risk options.

Implementation costs mainly relate to impacts of staffing. Capital expenditure requirements are not reflected in this chart but the wider schools re-design option assumes a significant capital investment over the next 20 years and service redesign in library, community and cultural services may release capital assets.



## Section 3 Service Options (EC&S) (version 1.1 - Council)

# EC&S: Transformation options



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Transformation options will reduce overall costs and focus financial resources on actual service delivery, whilst increasing curriculum choice and encouraging independence and lifelong learning through:

1. Re-designing Education provision and creating a different service delivery model
2. Greater shared provision or commissioning of services in Community Learning and Development and Additional Support for Learning.
3. Consolidation of Cultural and Sports services into a Trust, potentially operating at a regional level for greater synergy.
4. Items below the red line are not recommended for progression.

FOR INFORMATION ONLY: Transformation Options which have already been approved			Value in Yr 5 (£k)
Ref	Option description		
ECS1-C1	Integrated Communities Service		800
ECS1_C26	Reduce the number of out of authority placements by redesign and small addition to existing local services		840
ECS1-C3	Alternative Delivery of Cultural Services		229
ECS_E11	City Campus Senior Phase		2,214
ECS1_C25	To agree a suite of shared services with other local authorities		485
<b>TOTAL</b>			<b>4,568</b>

New Transformation options with risk			Value in Yr 5 (£k)
Ref	Option description		
ECS_E9b	Risk: Redesign of secondary school estate		-3,102*
ECS_E20b	Risk: Redesign the profile of professional staffing in secondary schools		1,500
ECS_E7c	Risk: Redesign the profile of professional staffing in primary schools		650
ECS_E3	Risk: Provide only targeted nursery provision for 3-4 year olds		3,330
<b>TOTAL</b>			<b>2,378</b>

\* This figure represents the revenue impact of potential capital investment in the schools estate and should be read in conjunction with school rationalisation options.

## Section 3 Service Options (EC&S) (version 1.1 - Council)

# EC&S: Efficiency options



**ABERDEEN**  
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Efficiency options will deliver better value for money on services provided by:

1. Reviewing commissioned services
2. Increasing productivity through changes to the terms and conditions of teachers
3. Making optimal use of school and other community facilities

Options regarding teachers' terms and conditions have been identified as a higher level of risk due to the required changes to national agreements. Items below the red line are not recommended for progression.

FOR INFORMATION ONLY: Efficiency Options which have already been approved			
Reference	Option description	Value in Yr 5 (£k)	Comment
ECS1-C10	Root and branch review of commissioned arts and sports services	1,736	
ECS_E37	Change the delivery model of music tuition	170	
ECS_E19	Rationalise school administration	193	
ECS_E4	Use of Teacher Protection Grant to achieve identified saving	88	
ECS_E30/E35	Changes to terms of engagement of supply teachers	140	
ECS_E5	Nursery nurses to provide non class contact cover for nursery teachers	27	
<b>TOTAL</b>		<b>2,354</b>	
New Efficiency Options			
Reference	Option description	Value in Yr 5 (£k)	Comment
ECS_E8d	Increase class sizes in primary schools – P1 from 18 to 25	440	
ECS_C27	Library & Information Service: new Ways of Working	13	
ECS_E8c	Raise P2 to 3 class sizes to 33 and composite classes in P2 to 3 to 30	120	With Risk
ECS_E26	Increase teaching time to match pupil time in secondary schools	3,200	With Risk
ECS_E6	Increase teaching time to match pupil time in primary schools	1,350	With Risk
ECS_E10	All secondary S1 & S2 classes at 30	700	With Risk
ECS_E31a	Extend non-subject specific/generic teaching until end of S2	4,418	With Risk
<b>TOTAL</b>		<b>10,241</b>	

### Section 3 Service Options (EC&S) (version 1.1 - Council)

## EC&S: Identified Stop / Reduce options



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It is assumed that all of these options are undesirable and implementation of these options is dependent on the size of the funding gap and the savings that can be achieved from transformation and efficiency options.

All Stop / Reduce options have been ranked in order of 'least undesirable' in the context of the Council's priority outcomes. This ranked order reflects the order in which these options would be implemented up to the point that the remaining funding gap could be filled.

FOR INFORMATION ONLY: Stop/Reduce Options which have already been approved			
Reference	Option description	Value in Yr 5 (£k)	Comment
ECS_E22	Reduce Pupil Support Assistants provision by 33% in primary schools	622	
ECS_E24	Reduce Pupil Support Assistants provision by 33% in secondary schools	218	
ECS_E17a	Additional Support Needs: Increase teacher / pupil ratios to 1:10 – Secondary	200	
ECS_E18a	Additional Support Needs: Increase teacher/ pupil ratios to 1:10 – Primary	167	
<b>TOTAL</b>		<b>1,207</b>	

### Section 3 Service Options (EC&S) (version 1.1 - Council)

## EC&S: Identified Stop / Reduce options



**ABERDEEN**  
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New Stop/Reduce Options with priority ranking			
Priority ranking	Reference	Option description	Value in Yr 5 (£k)
16	ECS_E9a	Close 2 Secondary Schools	1,992
17	ECS_E29a	Close 5 Primary Schools	1,015
48	ECS_E34	Stop Curriculum for Excellence training in Modern Foreign Languages	100
57	ECS_E12	Withdraw Music Tuition	793
66	ECS_E14	Reduce Teacher Support for Learning Allocation – Secondary Schools	517
67	ECS_E16	Reduce Teacher Support for Learning Allocation – Primary Schools	600
72	ECS_E21	Reduce remaining Pupil Support Assistants provision by 10% in primary schools	400
73	ECS_E23	Remove remaining Pupil Support Assistants provision by 10% in secondary schools	153
75	ECS_C8	Close all 16 Community Libraries, incorporate heritage centre	868
77	ECS_E28	Close Music School	693 With Risk
82	ECS_C2	Close all art galleries & museum visitor venues (4 years)	735
83	ECS_C13	Cease Communities Team service	4,152
93	ECS_E25	Stop pre-school education	3,714
<b>TOTAL</b>			<b>15,732</b>

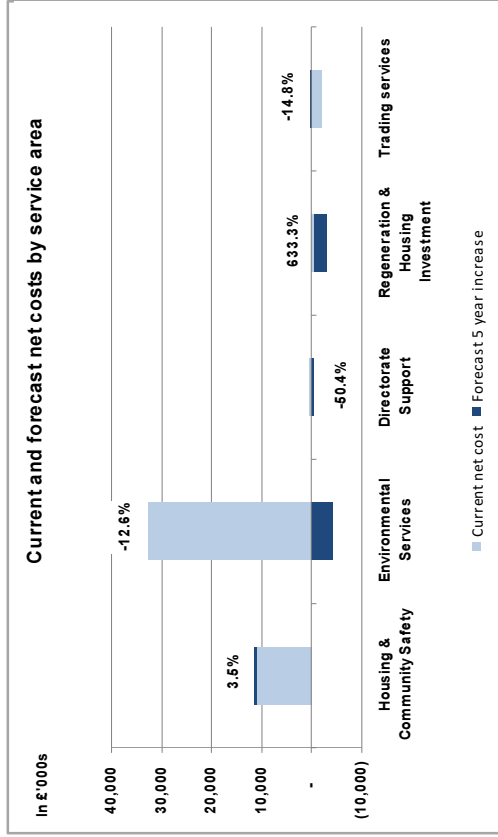
CMT preferred order of implementation, ranked against Council priorities. Items below the red line are not recommended for progression

## Section 3 Service Options (H&E) (version 1.1 - Council)

# Housing & Environment (H&E): Cost of services



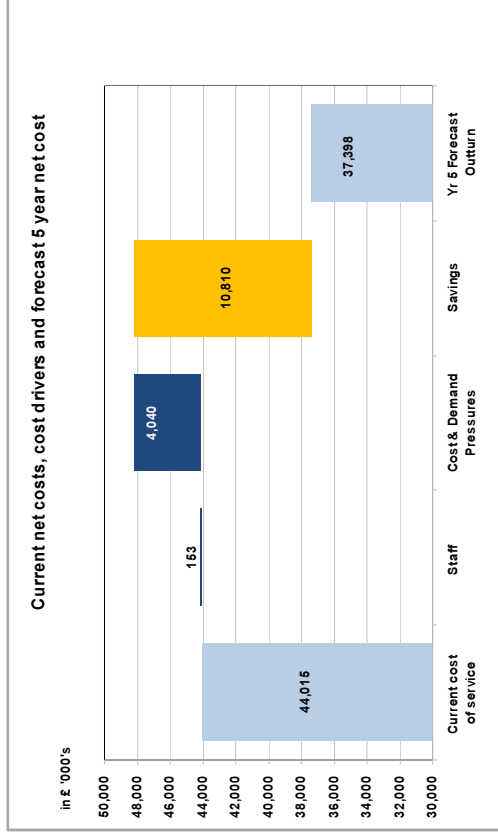
The 2011/12 net cost of Housing and Environment services (excluding the Housing Revenue Account) is £44 million. This cost is forecast to fall by 15% to £37.3m by 2016/17.



The above chart separates the net income of trading services. These are not included in the total net cost figures.

Environmental & Waste services account for the majority of current net costs (£32.8m) and has the largest 5 year forecast cost pressure for Grounds Maintenance, Refuse Collection and Waste Disposal (7%).

The Regeneration and Housing Investment Forecast 5 Year Figure includes the operating surplus of £2.8 million anticipated to be generated from approved service option HE\_RHI\_01 (Creation of Property Services LLP).



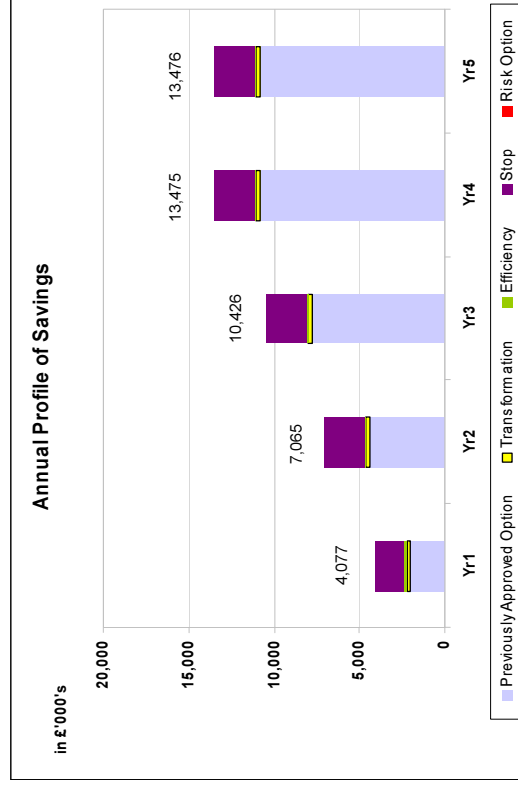
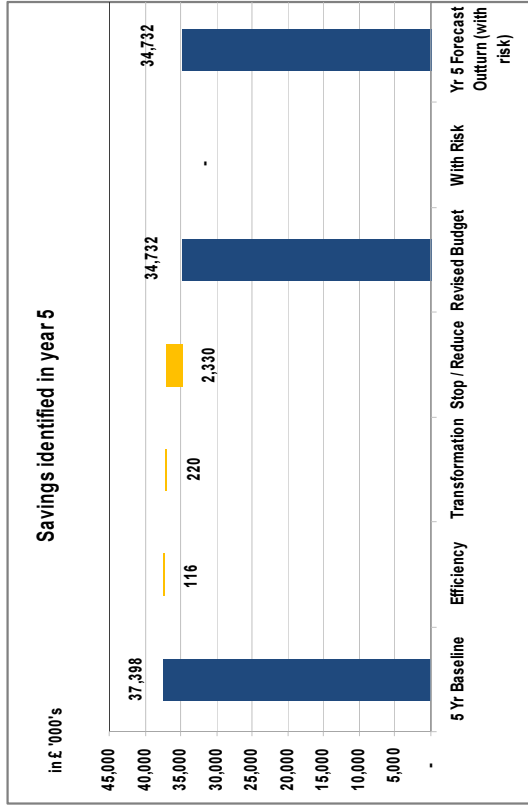
The cost pressures that will impact on H&E services over the next 5 years are driven by:

- Rising cost of ACC staff, for known and predicted costs
- Increasing requirements for waste management contract payments and landfill tax

## Summary of H&E savings



- A total of £2.7 million of new savings options have been identified for Housing & Environment services.
- This is in addition to the £10.8 million of savings already approved.
- The total of new savings represent 7.6% of the Directorate baseline in 2011/12.
- There are no options which have been highlighted as being high risk.



The majority of new savings from Housing and Environment are derived from stop or reduce options, most significantly £1.7 million from reducing expenditure within Housing and Community Safety.

## Section 3 Service Options (H&E) (version 1.1 - Council)

# H&E: Transformation options



**ABERDEEN**  
CITY COUNCIL

<b>FOR INFORMATION ONLY: Transformation Options which have already been approved</b>		
Ref	Option description	Value in Yr 5 (£k)
HE_ES_WS2	Review existing Waste Strategy to determine most cost effective options for diverting waste from landfill	4,822
HE_ES_GM05	External delivery or attain equivalent efficiency savings on grounds maintenance service	451
HE_ES_GM05a	Attain efficiency savings on Grounds Maintenance Service Fleet	208
HE_ES_ST5	External delivery / attain equivalent efficiency savings on street cleaning service	185
HE_ES_ST5a	Attain equivalent efficiency savings on Street Cleansing Service - Fleet	115
HE_HCS_H01 (viii)	Increased income from temporary accommodation	100
HE_EP_EP02	Increase efficiencies within Emergency Planning team reducing establishment by 1 FTE and reduce administrative costs in relation to accommodation	30
HE_RHI_01	Property Services LLP	2,781
HE_ES_WS11	Lobby for removal of landfill tax	580
HE_HCS_CS7	Restructure of the Community Safety Service	56
<b>TOTAL</b>		<b>9,328</b>

Transformation options will create a new service delivery model that is able to meet demands on services and remove cost from the baseline:

1. Waste strategy will implement a long-term waste strategy that changes the way waste is collected and delivers agreed waste targets. It will leverage full benefit from partnership opportunities
2. Core environmental services will be market tested to determine the optimum delivery framework for each service.

Only H&E options that relate to the General Fund have been considered in this document. These include options which may also generate an impact on the HRA.

<b>New Transformation Options</b>		
Ref	Option description	Value in Yr 5 (£k)
HE_ES_PT06	Close all Public Toilets and replace with Community Toilet scheme	220
<b>TOTAL</b>		<b>220</b>



## Section 3 Service Options (H&E) (version 1.1 - Council)

### H&E: Efficiency options



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Several efficiency options identified are incompatible with alternative Transformation options that have been agreed. For this reason, their savings have not been recognised. However they remain valid options in the event that the alternative Transformation options are not implemented

FOR INFORMATION ONLY: Efficiency Options which have already been approved		
Reference	Option description	Value in Yr 5 (£k)
HE_ES_WS3	External delivery or attain equivalent efficiency savings in domestic waste collection	288
HE_ES_WS3a	Transfer Fleet Costs to Fleet Service	313
HE_ES_WS9	Increase commercial waste collection charges	218
HE_ES_HT04	Implement mobile working for field staff in Trading Standards and Environmental Health	180
HE_ES_WS10	Within current resources work with communities to divert waste from landfill by improving recycling	75
HE_ES_WS8	Short-term improvements to recycling performance at Recycling Centres	38
HE_ES_ASSL2	Scientific Labs to seek and increase the level of work from the private sector.	8
HE_ES_BSAD1	Increase Bereavement Services charges (Cremation and burial fees) by 10%	142
<b>TOTAL</b>		<b>1,262</b>
New Efficiency Options		
Reference	Option description	Value in Yr 5 (£k)
HE_DSM_01	Re-design of H&E Directorate Support Service	86
HE_ES_ASSL6	Create new working methodologies to retain and capture profitable work at the Scientific Lab	30
HE_HCS_S04(i)	Use Private Sector Housing Unit Surplus (saving of £200k in 2012/13 only)	0
<b>TOTAL</b>		<b>116</b>



## Section 3 Service Options (H&E) (version 1.1 - Council)

# H&E: Identified Stop / Reduce options



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It is assumed that all of these options are undesirable and implementation of these options is dependent on the size of the funding gap and the savings that can be achieved from transformation and efficiency options. All Stop / Reduce options have been ranked in order of 'least undesirable' in the context of the Council's priority outcomes. This ranked order reflects the order in which these options would be implemented up to the point that the remaining funding gap could be filled.

FOR INFORMATION ONLY: Stop/Reduce Options which have previously been approved				
Priority ranking	Reference	Option description	Value in Yr 5 (£k)	Comment
HE_ES_ASSL1		Sub contract high cost / low volume testing to companies that can carry out work cheaper than labs	9	
<b>TOTAL</b>			<b>9</b>	
New Stop/Reduce Options				
Priority ranking	Reference	Option description	Value in Yr 5 (£k)	Comment
32	HE_HCS_CS05n	Remove funding contribution for non-HRA activity within the Antisocial Behaviour Investigation Team	25	
33	HE_HCS_CS05o	Remove funding contribution for non-HRA activity within the Aberdeen Families Project	30	
45	HE_HCS_S04(iv)	Stop Occupational Therapist Dedicated Grant Post	38	
47	HE_HCS_CS05(xi)	Remove funding for the deployment of street urinals	8	
49	HE_ES_GM06	Reduce Grounds Maintenance Service (specific service reduction options)	125	
50	HE_HCS_CS05(xii)	Remove funding for the deployment of taxi marshalls	50	
54	HE_HCS_H07	Homelessness - Realign Furniture Scheme budget to meet demand	20	
55	HE_HCS_CS05h	Remove funding for Community Fire Safety Task Group	7	
59	HE_HCS_H06	Homelessness - Reduce Advice, Information & Support	35	
60	HE_ES_PC1	Reduce Service to selected parks and gardens and / or explore alternative funding arrangements	365	

CMT preferred order of implementation, ranked against Council priorities, up to the point that any outstanding funding gap is filled

## Section 3 Service Options (H&E) (version 1.1 - Council)

### H&E: Stop / Reduce options (continued)



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Priority ranking	Reference	Option description	Value in Yr 5 (£k)	Comment
		<b>Continued from previous page</b>		
61	HE_HCS_CS05a	Remove funding used by Community Safety Service for local neighbourhood safety initiatives	15	
63	HE_HCS_S03(i)	Reduce housing support budget by 10%	250	
64	HE_HCS_H05	Homelessness - Reduce budget for Prevention Service	10	
65	HE_HCS_S04(v)	Reduce Funding to SCARF (Save Cash & Reduce Fuel)	16	
68	HE_HCS_S04(vii)	Reduce Core Care & Repair Service	42	
69	HE_HCS_CS05(x)	Remove funding for the deployment of street sport activity	5	
71	HE_ES_ST6	Reduce Street Cleaning (specific service reduction options)	80	
76	HE_HCS_S03(ii)	Reduce Housing Support Budget by additional 10% (total reduction 20%)	250	
78	HE_HCS_S04(iii)	Stop Care & Repair Handy Man Service	60	
79	HE_ES_WSS5	Remove Recycling Points Service in Areas Covered by Kerbside Collections	69	
81	HE_ES_WS7	Remove Paper Recycling in Multi-occupancy areas	0	
80	HE_HCS_S04(vi)	Stop HECA (Home Energy Conservation) Funding (managed by EP&I)	60	
87	HE_HCS_S03(iii)	Reduce Housing Support Budget by additional 30% (total reduction 50%)	750	
	<b>TOTAL</b>		<b>2,310</b>	

CMT preferred order of implementation, ranked against Council priorities. Items below the red line are not recommended for progression

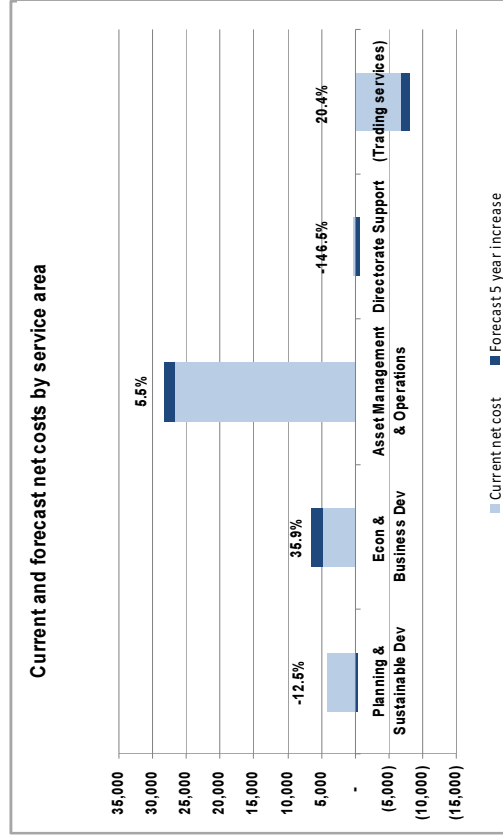
### Section 3 Service Options (EP&I) (version 1.1 - Council)

# Enterprise, Planning & Infrastructure (EP&I): Cost of services



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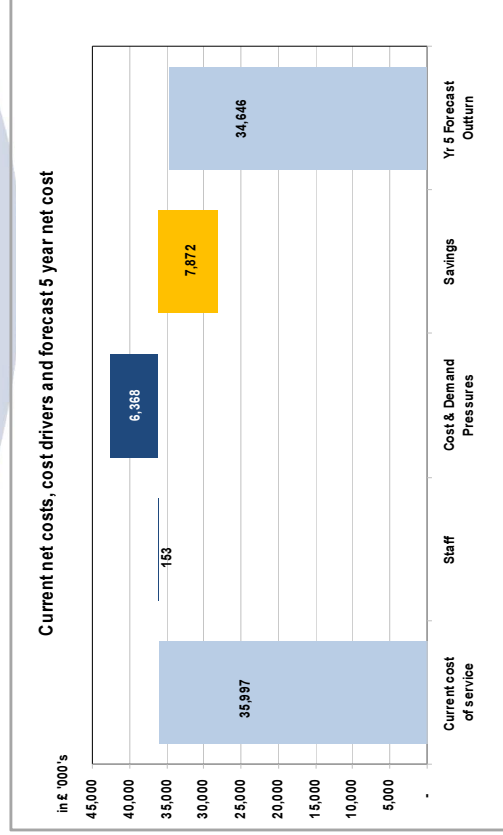
**The 2011/12 net cost of Enterprise, Planning and Infrastructure services is £36 million. This cost is forecast to fall by 3.8% to £34.6 million by 2016/17.**



The above chart separates the net income of trading services. These are not included in the total net cost figures.

Asset Management & Operations account for the majority of current net costs (£27m) and also the majority of non-staffing cost pressures over the next 5 years. These pressures are generated by the maintenance required for the Council's asset base of property and roads.

Directorate support includes service wide staff savings which will be reallocated during the year.



The cost pressures that will impact on EP&I services over the next 5 years are driven by:

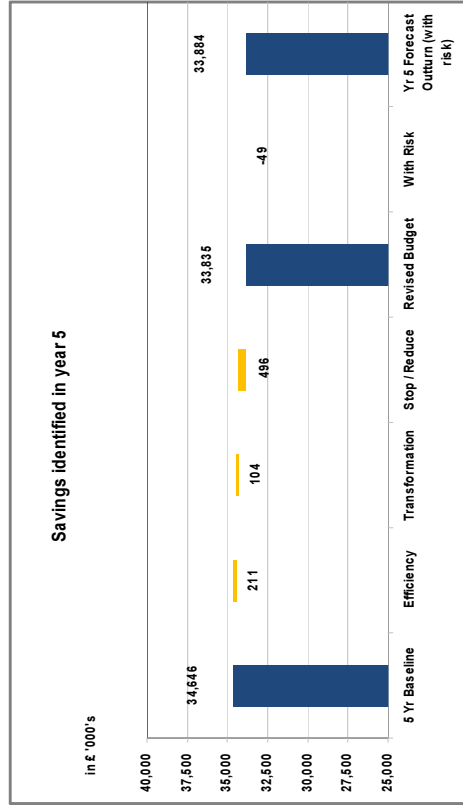
- Rising cost of ACC staff, for known and predicted costs
- The deteriorating condition of roads and properties, which requires an increase in the cost to maintain them
- The pressure on revenue budgets created by managing a reduced Non-Housing Capital programme, due to the limited funding the Council has available for major projects

## Section 3 Service Options (EP&I) (version 1.1 - Council) Summary of EP&I savings



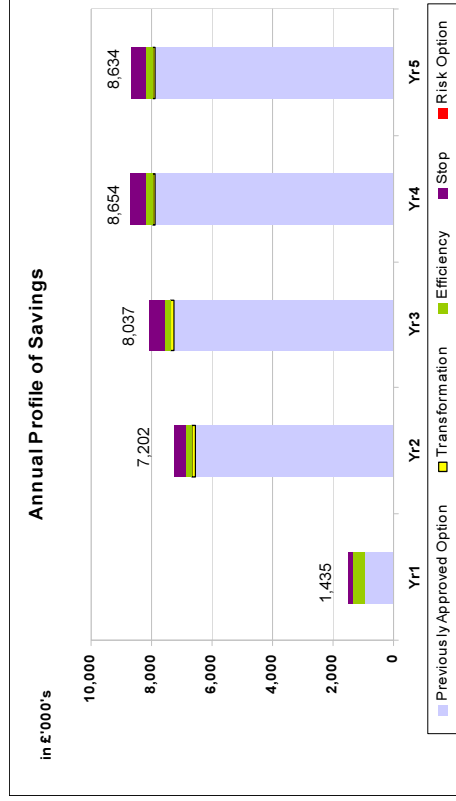
**ABERDEEN**  
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- A total £0.5 million of savings have been identified for EP&I services. This is in addition to the £11.4 million of savings already approved. These are divided between general fund and trading activities.
- The total of new general fund savings represent 2.1% of the Directorate baseline in 2011/12.
- Two options have been identified as high risk



The total identified savings analysed above relate to general fund budgets. The net impact of options relating to trading activities (parking and property letting) are shown in a separate bar on the chart above (impact on trading surpluses).

Two revenue generation options have been identified as having implementation risks as both require national agreement amendments (AMO25 – PCN rate change & AMO26 – congestion charging).



Options involving capital investment are included above, but are limited by the funding available to the Non-Housing Capital Plan. The revenue impact of planned asset sales from the investment property portfolio has been identified.

Saving option EPL\_AM26 (page 33) to introduce congestion charging has been re-assessed. The planning issues involved are considered to require more than 5 years to complete, so no saving can be quoted within the timeframe of the 5 Year Business Plan.

## Section 3 Service Options (EP&I) (version 1.1 - Council)

# EP&I: Transformation options



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Transformation options include a combination of targeted investment (where funding is available), changes in service delivery models and optimising use of capital assets, including:

1. A framework of strategic partnerships for delivery services (including Fleet, Facilities Management, Roads and Parking)
2. Optimisation of investment and asset portfolios (making disposals where necessary)
3. Investment in the city's economic development agenda

Options that have been identified as higher risk are those that have significant barriers to implementation, these include:

1. Changes in legislation
2. Changes to national agreements or policy
3. Agreement from some other 3<sup>rd</sup> party that cannot be assumed
4. Items below the red line are not recommended for progression.

*Higher risk options (including efficiency) are shown in red*

FOR INFORMATION ONLY: Transformation Options which have already been approved		
Ref	Option description	Value in Yr 5 (£k)
EPI_AMO01	Enter into a partnering arrangement for all asset management & operations services	4,981
EPI_DIR03	Assimilate Environmental & waste services from H&E to EP&I	93
EPI_DIR04	Integration across economic development, planning and regeneration services	93
EPI_AMO19	Shared facilities management services with public sector partners	22
<b>TOTAL</b>		<b>5,189</b>
New Transformation Options		
Ref	Option description	Value in Yr 5 (£k)
EPI_EBD05	Income generation (or equivalent) for Economic Development Activities	104
EPI_AMO26	High Risk: Charge a Congestion fee for Aberdeen's central business district	-49
<b>TOTAL</b>		<b>55</b>

## Section 3 Service Options (EP&I) (version 1.1 - Council)

### EP&I: Efficiency options



**ABERDEEN**  
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Efficiency options will deliver better value for money on services provided by:

1. Increasing income opportunities
2. Improving ACC's energy efficiency
3. Introducing new mobile technologies into everyday practice

Efficiencies with risk provide means to raise additional income from motorists, however they require changes in national policy and / or legislation

FOR INFORMATION ONLY: Efficiency Options which have already been approved			
Reference	Option description	Value in Yr 5 (£k)	Comment
EPI_AMO05	Car parking - Increase charges every 2 years	1,334	Trading
EPI_AMO18	Increased mobile and/or remote working for staff throughout the Council	780	
EPI_EBD03a	Increase revenue - advertising on fixed assets	600	
EPI_DIR06	Enable renewable energy network for a low carbon economy (combined heat and power, wind farm etc)	500	
EPI_AMO09	Use of Wi-Fi for roads Urban Traffic Control communications (Traffic Signals)	92	
EPI_EBD03c	Increase revenue - sponsorship of bus shelters / stops	30	
EPI_EBD03d	Only undertake fully funded events	200	
EPI_AMO08	Reduce street lighting whole life costs with energy efficient lanterns	19	
EPI_AMO20	Improved energy efficiency in council buildings	97	
EPI_PSD11b	Investigate further options for generating income from environmental projects	0	
EPI_DS01	Restructuring EP&I Directorate Support Unit	42	With barriers
EPI_AMO24	Optimise parking service operations through different service delivery models	5	Trading : With barriers
<b>EPI_AMO25</b>	<b>Adopt the Scottish Governments proposed change of the Parking Charge Notices rate to £80 or £100</b>	<b>0</b>	<b>Trading : High Risk</b>
<b>TOTAL</b>		<b>3,699</b>	

## Section 3 Service Options (EP&I) Efficiency options

(version1)



**ABERDEEN**  
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New Efficiency Options			
Reference	Option description	Value in Yr 5 (£k)	Comment
EPL_AMO27	Estates Team to be charged Cost of Capital Sales	111	
EPL_AMO28	Monitoring Officer to be part funded from Developers Fund	4	
EPL_PSD16	Reduction in Net Expenditure for Roads Projects Unit Budget	71	
EPL_AMO31	Re-assess and increase Roads Charges	25	
EPL_AMO29	Introduction of charges to residents for Garthdee CPZ	28	Trading
EPL_AMO30	Increase charge levels for Residents Parking Permits	196	Trading
EPL_AMO11b	Tactically dispose of Selected Property to support Non-Housing Capital Plan	-450*	Trading
<b>TOTAL</b>		<b>-15</b>	

\* This figure represents the impact on the Property Investment Portfolio of reduced rental income as a result of selling selected properties. Receipts are anticipated for 2011/12 and 2012/13.



## Section 3 Service Options (EP&I) (version 1.1 - Council)

# EP&I: Identified Stop / Reduce options



**ABERDEEN**  
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It is assumed that all of these options are undesirable and implementation of these options is dependent on the size of the funding gap and the savings that can be achieved from transformation and efficiency options.

All Stop / Reduce options have been ranked in order of 'least undesirable' in the context of the Council's priority outcomes. This ranked order reflects the order in which these options would be implemented up to the point that the remaining funding gap could be filled.

<b>FOR INFORMATION ONLY: Stop/Reduce Options which have previously been approved</b>			
Reference	Option description	Value in Yr 5 (£k)	Comment
EPI_AMO14	Self fund Catering (Town House & Kittybrewster) otherwise stop	98	
EPI_AMO16	Reduce non-housing property maintenance inspections	99	
EPI_EBD02c	Stop all events and twinning activity and reduce marketing costs by 50%	526	
<b>TOTAL</b>		<b>723</b>	
<b>New Stop/Reduce Options with priority ranking</b>			
Priority ranking	Reference	Option description	Value in Yr 5 (£k)
22	EPI_PSD15	Reduction in NESTRANS revenue budget	7
24	EPI_PSD17	Reduce Development Plan Budget	60
25	EPI_PSD18	Reduce Strategic Development Planning Authority Team	50
26	EPI_AMO32	Regional Communications Centre – Move to Frederick Street	30
62	EPI_AMO15	Reduce School Crossing Patrols	50
<b>TOTAL</b>			<b>197</b>

CMT preferred order of implementation, ranked against Council priorities, up to the point that any outstanding funding gap is filled



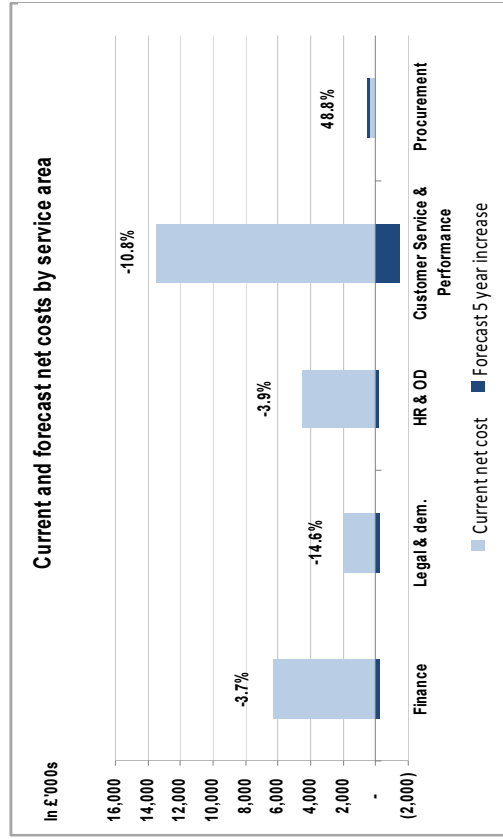
Section 3 Service Options (CG) (version 1.1 - Council)

# Corporate Governance (CG): Cost of services



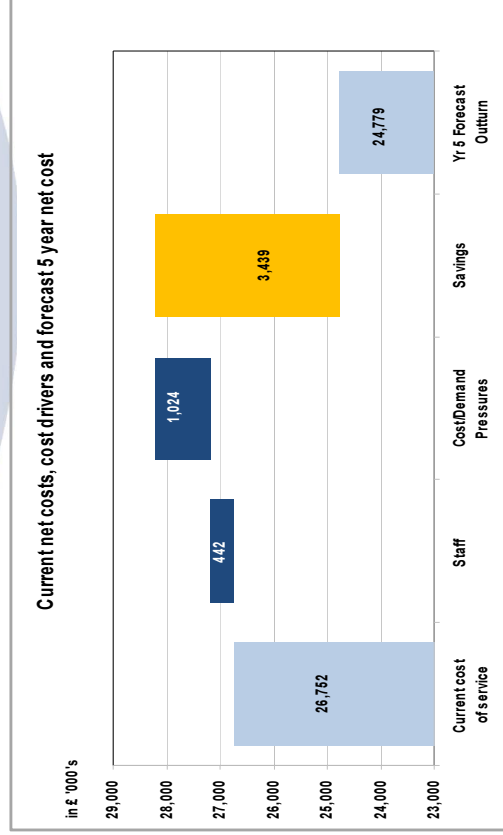
**ABERDEEN**  
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**The 2011/12 net cost of Corporate Governance services is £26.7m. This cost is forecast to fall by 7.4% to £24.8m by 2016/17.**



Customer Services and Performance have the largest current Directorate net costs (£13m).

Procurement savings have been allocated directly to Services.



The cost pressures that will impact on Corporate Governance services over the next 5 years are driven by:

- Rising ACC staff costs and
- An increase in demand for Housing benefits service

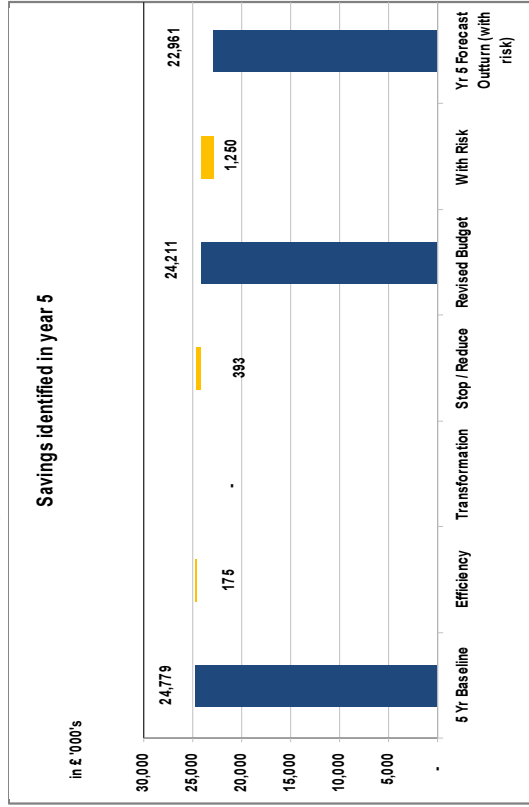
## Section 3 Service Options (CG) (version 1.1 - Council)

# Summary of CG savings

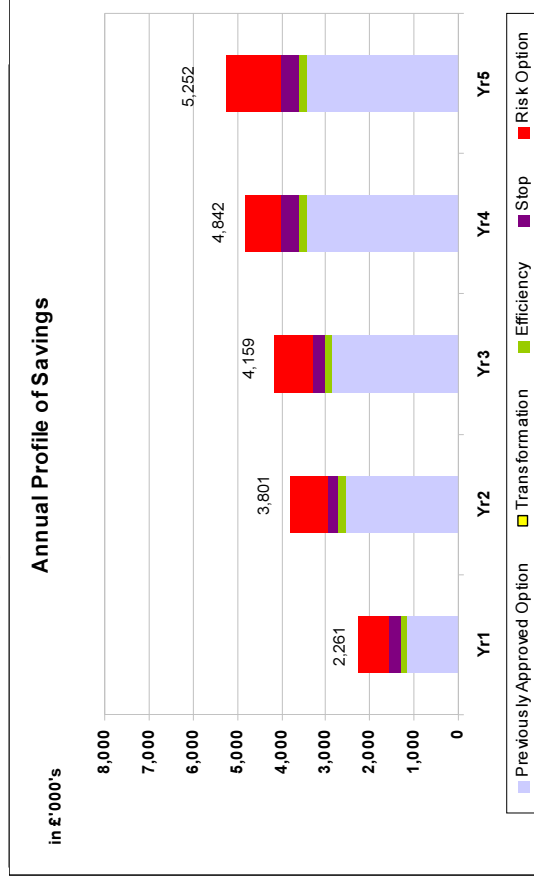


**ABERDEEN**  
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- A total of £1.8m of new savings options have been identified for Corporate Governance services. This is in addition to the £3.4m previously approved.
- Savings represent 7.2% of the Directorate's forecast five year baseline.
- £1.2m of savings relate to 'risk options' where further clarification of legal barriers is required.



Savings from transformation options relate in the main to of the main back office functions within Finance, CS & P and HR & OD which are part of an Alternative Delivery Model.



It is assumed that those options within the Alternative Delivery Model are to be achieved fully in Year 3.

## Section 3 Service Options (CG) (version 1.1 - Council)

# CG: Transformation options



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Transformation options will:

1. Drive greater standardisation and consolidation of activities.
2. Provide a more flexible service able to meet the requirements of a changing customer base.
3. Streamline and effectively manage information.

In the future services will either become increasingly centralised within the Council or be delivered by external providers; Dialogue is underway for the alternative delivery model within Corporate Governance.

FOR INFORMATION ONLY: Transformation Options which have already been approved		
Ref	Option description	Value in Yr 5 (£k)
CG_ADM01	Alternative Delivery of elements of Finance, ICT, Human Resources and Organisational Development and Customer Services	2,273
<b>TOTAL</b>		<b>2,273</b>

## Section 3 Service Options (CG) (version 1.1 - Council)

### CG: Efficiency options



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Efficiency options will deliver better value for money on services provided by:

1. Changing internal processes and structures
2. Maximising income opportunities
3. Employing external service providers

<b>FOR INFORMATION ONLY: Efficiency Options which have already been approved</b>			
Reference	Option description	Value in Yr 5 (£k)	Comment
CG_LDS_09	Maximise the capabilities of modern.gov capabilities to circulate agendas and change minute style	40	
CG_LDS_04	Efficient delivery of Legal Teams (no longer part of Alternative Delivery Model)	259	
CG_LDS_27	Expand charging in Archives – Family History requests	5	
CG_CS_CPL01	Review of Community Planning	109	
CG_CPU_5	Rationalisation of procurement function	80	
CG_CS_EQ02	Equalities function being delivered by cross-sector partnership	200	With barriers
CG_HR_17	Move away from centralised workforce planning in the longer term	75	With barriers
CG_CS_INT01	Externalise delivery of interpreting and translating service	7	With barriers
<b>TOTAL</b>		<b>775</b>	

## Section 3 Service Options (CG) (version 1.1 - Council)

### CG: Efficiency options



New Efficiency Options			
Reference	Option description	Value in Yr 5 (£k)	Comment
CG_F_26	Bed tax – to be examined within context of tourism tax	400	With Risk
CG_CS_FS04	Fairer Scotland Fund – target corporate sponsorship to contribute to fund areas	0	Exercise to determine appetite underway
CGCS_F0S11	Channel shift programme	0	Review underway to determine value
CG_F_28	Accounts Payable – automated process	60	
CG_HR_25	Reduced costs on Occupational Health Contract	10	
CG_HR_26	Reduced costs re Employee Assistance Programme	5	
CG_HR_27	Revision of Human Resources & Organisational Development Services	100	
CG_F_30	AECC Swap – Agreement - move to Common Good	500	With Risk
CG_F_31	Explore use of Common Good particularly use of capital receipts	150	With Risk
CG_F_32	Reduce Council tax Relief on second homes	0	With Risk
CG_F_29	Redefine the criteria for relief / discretionary Non Domestic Rates relief	200	With Risk
<b>TOTAL</b>		<b>1,425</b>	

## Section 3 Service Options (CG) (version 1.1 - Council)

# CG: Identified Stop / Reduce options



**ABERDEEN**  
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It is assumed that all of these options are undesirable and implementation of these options is dependent on the size of the funding gap and the savings that can be achieved from transformation and efficiency options.

All Stop / Reduce options have been ranked in order of 'least undesirable' in the context of the Council's priority outcomes. This ranked order reflects the order in which these options would be implemented up to the point that the remaining funding gap could be filled.

*CMT preferred order of implementation, ranked against Council priorities, up to the point that any outstanding funding gap is filled*

*Options above this red line have been included in current calculations of total savings. This is based on current predictions of future funding levels and anticipated savings from transformation and efficiency options*

FOR INFORMATION ONLY: Stop/Reduce Options which have already been approved				
Priority ranking	Reference	Option description	Value in Yr 5 (£k)	Comment
	CG_CS_PM01	Programme Management office –fully internal	65	
	CD_CS_FS03	Reduce Fairer Scotland Fund	250	
	CG_CS_PMQ07	Align Corporate Information & Research resource to work demand	76	
<b>Total</b>			<b>391</b>	
New Stop/Reduce Options with priority ranking				
Priority ranking	Reference	Option description	Value in Yr 5 (£k)	Comment
8	CG_CS_FOS10	Discontinue iKiosks	65	
9	CG_CS_ICT10	ICT Education Connectivity Support	100	
10	CG_CS_ICT11	Establishment of ICT Enterprise Architecture Framework	0	Review underway to determine value
12	CG_F_27	Rationalise Administration posts in Finance	70	
39	CG_LDS_7E	Saving of convenor and vice convenor payments if less committees	108	
46	CG_LDS_7B	Reduce the number of Council committees.	50	
<b>TOTAL</b>			<b>393</b>	

## Council wide options



These options relate to council-wide savings opportunities. They have not been included within any individual Directorate savings.

FOR INFORMATION ONLY: Options which have already been approved		Value in Yr 5 (£k)
Ref	Option description	
ACC_SO13	New ways of working (cross council Admin etc)	900
ACC_SO6	Reduce miscellaneous grants	605
ACC_SO11	Review terms and conditions of staff	0
ACC_SO9	Review corporate training / conferences	555
ACC_SO5	Reduce staff advertising	100
ACC_SO4	Stop general advertising	60
ACC_SO22	Electronic mail and send	400
ACC_SO16	Explore commercial opportunities	0
ACC_SO20	Explore expanding use of Common Good for General Fund	0
ACC_SO18	Reduce management teams	1,075
CG_CPU_01/2a/2b/6/7	Procurement savings	2,239
<b>TOTAL</b>		<b>5,934</b>
New Options		Value in Yr 5 (£k)
Ref	Option description	
ACC_SO25	Salary sacrifice schemes (buying back holidays / reduced working week)	20
ACC_SO26	Procurement savings – additional services / commodities (across ACC)	1,000
ACC_SO8	Corporate Bond Issue	-400
<b>TOTAL</b>		<b>620</b>

## Section 3 Service Options (version 1.1 - Council)

### Council wide options



These options relate to Office of Chief Executive; the total costs and savings for the Office of Chief Executive are included in the total ACC consolidated position.

New Stop/Reduce Options with priority ranking				
Priority ranking	Reference	Option description	Value in Yr 5 (£k)	Comment
14	OCE_DS01	OCE – Streamline business management	26	
13	OCE_EM01	Election Unit – refocus of administrative assistance	17	
<b>Total</b>			<b>43</b>	





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## Section 4

# DEPENDENCIES

(version 1.1 - Council)

## Section 4 Inter-dependencies (version 1.1 - Council)

# Key options



### A. City region agenda Approach to Services

During the Corporate Roundtable, it was recognised that a number of services provided by different Directorates all fit within a wider city region agenda, each impacting on the same communities within Aberdeen. It was agreed that these services, and the identified options relating to them, should be collectively reviewed to understand the combined effect of services on these communities and the impact of any changes made.

The services and related options identified as within the city region agenda are:

Directorate	Service	Options identified
Education Culture & Sport	Communities, Culture and Sport	Future delivery of cultural services
Education, Culture & Sport	Potentially all services	Potential shared services with other local authorities
Social Care & Wellbeing	Family & Community Support	Redesign service
Enterprise, Planning & Infrastructure	City Wardens	
Housing & Environment	Community Safety	various options
Housing & Environment	Homelessness	Homeless strategy

### B. Social Care & Wellbeing (SC&W) and Housing & Environment (H&E)

Part of the transformation options within SC&W, aligned to shifting the balance of care, aim to reduce the number of people in residential care. It is anticipated that the Council will need to consider alternative accommodation arrangements to support implementation of this option and this could lead to an increase in demand on Housing Services.

Any cost implications of this demand will need to be considered as the implementation plans become more developed.

Some options newly proposed by the Housing and Environment Service may have an effect to increase numbers needing Social Care services.

### C. Customer contact and Out of Hours services

During the Corporate Roundtable, it was recognised that further efficiencies may be possible by consolidating customer contact points across the Council, especially in relation to contact outside of core business hours.

Directorate	Service
Corporate Governance	Regional Contact Centre
Housing & Environment	Building Services call outs

## Key options (2)



### D. Education and Social Care & Wellbeing

There are a number of inter-dependencies between the benefits accruing from Education options (increasing teacher productivity [ECS\_E6 & E26], changes to class sizes [ECS\_E8d, E8c & E10] and the use of para-professionals [ECS\_E7c & E20b]). Synergies also exist between transformation options relating to the upper stages of secondary education [ECS\_E11 & E40] in relation to delivery options for cultural services [ECS\_C3 & ECS\_C22] shared services [ECS\_C17 & ECS\_C25].

Further options to reduce or stop classroom and learning support have also been identified. The cumulative financial benefits from the chosen options have been included within the analysis of savings.

Serious consideration would have to be given to the impact these options may have on children's education experience. Financial benefits may not therefore be fully realisable, even if existing implementation barriers around national agreements are overcome.

Further dependencies exist in relation to the Reduction of Out of Authority Placements, [ECS\_C26]. The reduction of demand for these placements together with improved local provision, is a collaborative endeavour between Education, Culture and Sport and Social Care and Wellbeing and additional demands on or reductions in para-professionals may limit the ability to deliver on this option.

Opportunities were identified to develop the role of Educational Psychologists to have greater involvement in Children's Services. Full financial and non-financial impacts of these cross Directorate dependencies need to be confirmed.

### E. Corporate Governance

The future shape of the services delivered by Corporate Governance is dependant on the configuration and nature of delivery of all other services within the Council. Moreover, the options contained in this report will have significant implications for the future governance of the Council.

## Section 4 Inter-dependencies (version 1.1 - Council)

# Impact on Capital Programme



Savings identified relate only to revenue expenditure. It should be noted however that a number of options have, or could result in, a capital impact. Some require capital investment to be implemented, while others may remove the need for a capital asset and thus create the opportunity for a future capital receipt. The most significant potential capital impacts are:

Ref no.	Option	Capital impact	Capital impact where known (£ks)
EPL_AMO08	Reduce street lighting whole life costs	Investment (Lanterns)	£75kpa from existing budgets
EPL_AMO09	Use Wi-Fi for Urban Traffic Control	Investment (UTC equipment)	
EPL_AMO11b	Tactical disposal of property assets	Receipt (Investment Property Portfolio Assets)	Site by site basis
EPL_AMO18	Increase mobile / remote working	Receipt (former Corporate Office Accommodation)	Site by site basis
EPL_AMO20	Improve energy efficiency	Investment (Renewables)	Case by case basis
EPL_DIR06	Enable renewable energy network	Investment / Receipt	Dependent on agreement with potential partners
ECS_E9a	Closure of 2 secondary schools	Receipts	Site by site basis
ECS_E9b	Redesign of secondary schools	Investment (New schools & refurbish 2 existing schools)	£120m – starting in year 5 and lasting beyond 10 year timeframe for capital programme
ECS_E11	City Campus, Senior Phase	Investment (ICT)	
ECS_E19	Rationalisation of school administration	Investment (ICT)	
ECS_E28	Close the Music School	Receipt	
ECS_E29a	Closure of 5 primary schools	Receipts	Site by site basis
ECS_C2 or ECS_C2a	Closure of art gallery & museums	Receipts	Site by site basis
ECS_C27	New Ways of working – Library & Information Services	Receipts	Site by site basis / Vehicle disposal
SCW_14	Reduce the no. of specialist care placements for children and young people by redesign and small addition to existing local service	Investment	Estimate £912k

The Council's Corporate Asset Group is tasked with managing the Non-Housing Capital programme and all related issues concerning capital acquisitions or disposals. Officers from Asset Management and Finance are available to assist services from the early stage of developing service options and assess the potential capital impact, including costs, timescales and possible future receipts. Any impact from service options needs to be considered in the wider context of the Council's requirement to sustain an affordable capital programme.



**Section 5**  
**NEXT STEPS**  
(version 1.1 - Council)

## Section 5 Next Steps (version 1.1 – Council)

# Ensuring Success



The continued success of delivering against the Council priorities alongside successfully delivering the very ambitious and challenging package of options previously agreed and within this Plan will directly link into the impact on the people of Aberdeen. This link should not be broken and the development of the next phase needs to home in on delivering against a number of outcomes, rather than individual service options.

To deliver this, ACC acknowledged that it will need to ensure that it has the strongest possible capability, capacity and governance in place to ensure the successful delivery of the overall 5 Year Business Plan, not just in regards to the discrete Programme, but as an overall Council. Key to this is the:

- Development of an appropriate culture within the Council to drive, embrace and embed change
- Clear leadership and strategic direction that will steer, guide and continuously support the change
- Customer and community engagement
- Ability to report progress and impact on the local community

To achieve this, ACC has identified key activities. They are discussed in more detail over the following pages:

Key Activities	
1.	Address inter-dependencies
2.	Engagement & Implementation
3	Programme Management
4.	Update 5 Year Financial Plan

## **1. Address inter-dependencies**



- A number of inter-dependencies have been identified during the development of service options which need to be resolved in the next stage of development of the Business Plan.
- Communicate capital impacts arising from Directorate programmes to the Capital Programme.
- Capital expenditure and receipts will need to be profiled for each year.
- Review the totality of Transformation options and identify the degree of change impacting on the organisation .
- Consider how the organisation will manage a change programme and potential risks of initiating the full package of identified options (see Section 5 Next Steps, 3).



## 2. Engagement & Implementation



- Significant progress has been made in the delivery of the Next Five Years Business Plan and key messages and processes used through out the engagement established at the onset of PBB and have been revised to reflect this.
- The elements of the business plan are presented to our citizens, customers, staff, elected members and partners through a programme of engagement activity both internal and external.
- Effective two-way communications throughout change is vital to the success of the implementation of chosen service options.
- At Directorate and Corporate level implementation programmes are critical to the continued successful implementation of chosen service options. These need to consider timing and duration of:
  - Stakeholder engagement
  - Employee consultation and notice periods
  - Negotiations with third parties
  - Sale, build or refurbishment of properties
  - Critical business-as-usual periods.



## 3. Programme Management

- The Programme Management Office (PMO) was set up in March 2011 to support the delivery of the Five Year Business Plan and the associated PBB savings and options and also to improve the quality of project management and delivery across the Council.
- The Sponsoring Group – made up of the Chief Executive, CMT and the Senior Programme Manager - oversees the work of the PMO and meets fortnightly to monitor the progress of the projects, programmes and other activities that deliver the PBB savings, plus other projects the council is undertaking.
- A mechanism has been set up to continuously track the realisation of targeted PBB savings.
- A corporate change process to monitor and control changes to the PBB options has been set up. Any significant changes to costs, benefits (savings) or scope are considered by the Sponsoring Group for discussion and approval.
- The set up of one elected member working group to ensure one single point of engagement with elected members to monitor the key projects arising from PBB

## **4. Update 5 Year Financial Plan**



- Work continues on inter-dependencies, details of business cases and implementation plans to inform and underpin the success of the implementation of the Financial Plan.
- Ensure no duplication between Directorate and Corporate savings e.g. Procurement.
- Confirmation required on funding levels.
- Additional overlay to Financial Plan for corporate funding options and financing requirements.
- Output from Corporate Asset Group and the setting of future years' non-housing capital plan.
- Perform sensitivity analysis.
- Year 1 of the 5 Year Financial Plan forms the basis for the 2012/13 budget.
- The 5 Year Financial Plan will be incorporated within the Five Year Business Plan.

# Glossary

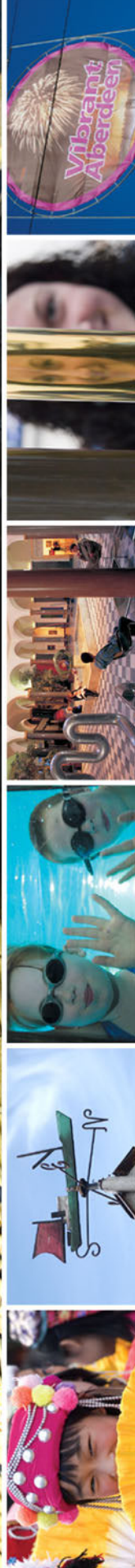
(version 1.1 - Council)



- ACC** - Aberdeen City Council
- ADM** - Alternative Delivery Model
- CG** - Corporate Governance
- CMT** - Corporate Management Team
- CS&P** - Customer Service and Performance
- EC&S** - Education Culture and Sport
- EP&I** - Enterprise Planning and Infrastructure
- FTE** - Full Time Equivalent
- H&E** - Housing and Environment
- HR&OD** - Human Resources and Organisational Development
- HRA** - Housing Revenue Account
- PBB** - Priority Based Budgeting
- PMO** - Programme Management Office
- SC&W** - Social Care and Wellbeing
- WPO** - Word Processor Operator



**ABERDEEN**  
CITY COUNCIL



No	Description	2012/13		2013/14		2014/15		2015/2016		2016/17		Efficiency/ Stop/Reduce	Priority/Score
		£'000	Yr 1	£'000	Yr 2	£'000	Yr 3	£'000	Yr 4	£'000	Yr 5		
<b>Prioritisation Savings</b>													
<b>Social Care &amp; Wellbeing</b>													
<b>Stop/Reduce Options</b>													
SCW27	34 Reduction of under commitment in voluntary organisation payments	(96)	(96)	(96)	(96)	(96)	(96)	(96)	(96)	(96)	(96)	Stop/Reduce	0
SCW29	35 Request payment holiday from Grampian Data Sharing Partnership	0	0	0	0	0	0	0	0	0	0	Stop/Reduce	0
		(96)	(96)	(96)	(96)	(96)	(96)	(96)	(96)	(96)	(96)		
<b>Education, Culture &amp; Sport</b>													
<b>Transformation Options</b>													
ECS_E9b	37 RISK Redesign of secondary school estate	0	0	0	0	0	0	0	0	0	3,102	Transformation	1
<b>Efficiency Options</b>													
ECS1-C27	15 Library & Information Service: New ways of working	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	Efficiency	0
<b>Stop/Reduce Options</b>													
ECS_E34	48 Stop Curriculum for Excellence training in Modern Foreign Languages	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	Stop/Reduce	8
		(113)	(113)	(113)	(113)	(113)	(113)	(113)	(113)	(113)	(113)		2,988
<b>Housing &amp; Environment</b>													
<b>Efficiency Options</b>													
HE_DSM_01	31 Re-design of H&E Directorate Support Service	(86)	(86)	(86)	(86)	(86)	(86)	(86)	(86)	(86)	(86)	Efficiency	0
HE_ES_ASSL6	40 Create new working methodologies to retain and capture profitable work at the Scientific Lab	49	(26)	(27)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	Efficiency	2
HE_HCS_S04(i)	30 Use Private Sector Housing Unit Surplus (2012/13 only)	(200)	0	0	0	0	0	0	0	0	0	Efficiency	0
<b>Stop/Reduce Options</b>													
HE_HCS_CS050	33 Remove funding contribution for non-HRA activity within Aberdeen Families Project	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	Stop/Reduce	0
HE_HCS_S04(iv)	45 Stop Occupational Therapist Dedicated Grant Post	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	Stop/Reduce	4
HE_HCS_H07	54 Realign furniture scheme budget to meet demand	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	Stop/Reduce	11
HE_HCS_H06	59 Reduce Homelessness Advice, Information & Support	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	(35)	Stop/Reduce	13
HE_HCS_H05	64 Homelessness - reduce budget for the prevention service	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	Stop/Reduce	14
HE_HCS_S04(v)	65 Reduce funding to SCARF (Save Cash & Reduce Fuel)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	Stop/Reduce	14
		(386)	(261)	(262)	(264)	(264)	(264)	(264)	(264)	(264)	(265)		
<b>Environment, Planning &amp; Infrastructure</b>													
<b>Transformation Options</b>													
EPI_S005	28 Income Generation Option (or equivalent) for Economic Development Activities	0	(104)	(104)	(104)	(104)	(104)	(104)	(104)	(104)	(104)	Transformation	0
<b>Efficiency Options</b>													
EPI_AMO27	18 Estates Team charged to Cost of Capital Sales	(111)	(111)	(111)	(111)	(111)	(111)	(111)	(111)	(111)	(111)	Efficiency	0
EPI_AMO28	19 Monitoring Officer to be partially funded from Developers Fund	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	Efficiency	0
EPI_AMO16	20 Reduction in Net Expenditure for Roads Projects Unit Budget	(231)	(81)	(71)	(71)	(71)	(71)	(71)	(71)	(71)	(71)	Efficiency	0
EPI_AMO31	21 Re-assess and increase Roads Charges	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	(25)	Efficiency	0
<b>Stop/Reduce Options</b>													
EPI_PSD15	22 Reduction in NESTRANS revenue budget	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	Stop/Reduce	0
EPI_PSD17	24 Reduce Development Plan budget	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	(80)	Stop/Reduce	0
EPI_PSD18	25 Reduce Strategic Development Planning Authority Team	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	Stop/Reduce	0
EPI_AMO32	26 Regional Communications Centre - move to Frederick Street	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	Stop/Reduce	0
		(538)	(482)	(482)	(482)	(482)	(482)	(482)	(482)	(482)	(482)		
<b>Corporate Governance</b>													
<b>Efficiency Options</b>													
CG_F_26	1 RISK: Bed tax to be examined within context of tourism tax	0	0	0	0	0	0	0	0	0	(400)	Efficiency	0
CG_CS_F04	3 Fairer Scotland Fund - target corporate sponsorship to contribute to fund areas	0	0	0	0	0	0	0	0	0	0	Efficiency	0
CG_CS_F0511	7 Channel shift programme	0	0	0	0	0	0	0	0	0	0	Efficiency	0
CG_F_28	4 Accounts Payable - automated process	(52)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	Efficiency	0
CG_HR_25	5 Reduced costs on Occupational Health Contract	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	Efficiency	0
CG_HR_26	6 Reduced costs re Employee Assistance Programme	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	Efficiency	0
CG_HR_27	Revision of Human Resources & Organisational Development Services	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	Efficiency	0
<b>Stop/Reduce Options</b>													
CG_CS_F0S10	8 Discontinue iKiosks	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	Stop/Reduce	0
CG_CS_ICT10	9 ICT Education Connectivity Support	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	Stop/Reduce	0
CG_CS_ICT11	10 Establishment of ICT Enterprise Architecture Framework	0	0	0	0	0	0	0	0	0	0	Stop/Reduce	0
CG_F_27	12 Rationalise Administration Posts in Finance	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	Stop/Reduce	0
		(402)	(410)	(410)	(410)	(410)	(410)	(410)	(410)	(410)	(410)		(810)
<b>Council wide Options</b>													
ACC_SO25	2 CORPORATE - salary sacrifice schemes (buying holidays back / reduced working week)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	Transformation	0
ACC_SO26	Procurement Savings - additional services/commodities (across ACC)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	Efficiency	0
		(1,020)	(1,020)	(1,020)	(1,020)	(1,020)	(1,020)	(1,020)	(1,020)	(1,020)	(1,020)		
<b>Office of Chief Executive</b>													
OCE_DS01	14 OCE - Streamline business management	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	(26)	Stop/Reduce	0
OCE_EM01	13 Elections - refocus administrative assistance	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(17)	Stop/Reduce	0
		(43)	(43)	(43)	(43)	(43)	(43)	(43)	(43)	(43)	(43)		(43)
		(2,598)	(2,435)	(2,426)	(2,418)	(2,418)	(2,418)	(2,418)	(2,418)	(2,418)	(2,418)		(283)

No	Description	Net Costs/Savings					Efficiency/ Stop/Reduce	Prioritisation Score
		2012/13 £'000 Yr 1	2013/14 £'000 Yr 2	2014/15 £'000 Yr 3	2015/2016 £'000 Yr 4	2016/17 £'000 Yr 5		
<b>Prioritisation Savings</b>								
<b>Social Care &amp; Wellbeing</b>								
<b>Efficiency Options</b>								
SCW32	36 Review/Cap Kinship Payments	(50)	(50)	(50)	(50)	(50)	Efficiency	0
SCW31	52 Review Social Work charging policy	(50)	(50)	(50)	(50)	(50)	Efficiency	9
		<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>		
<b>Education, Culture &amp; Sport</b>								
<b>Efficiency Options</b>								
ECS_E8d	53 Increase class sizes in Primary school - P1 from 18 to 25	(66)	(440)	(440)	(440)	(440)	Efficiency	11
ECS_E9a	16 Secondary school estate - close 2 schools - recosted	(147)	(1,619)	(1,992)	(1,992)	(1,992)	Stop/Reduce	0
		<b>(213)</b>	<b>(2,059)</b>	<b>(2,432)</b>	<b>(2,432)</b>	<b>(2,432)</b>		
<b>Housing &amp; Environment</b>								
<b>Transformation Options</b>								
HE_ES_PT06	38 Close all Public Toilets and replace with Community Toilet scheme	(160)	(220)	(220)	(220)	(220)	Transformation	1
<b>Stop/Reduce Options</b>								
HE_HCS_CS05n	32 Remove funding contribution for non-HRA activity within ASBIT (Anti-Social Behaviour)	(25)	(25)	(25)	(25)	(25)	Stop/Reduce	0
HE_HCS_CS05(xi)	47 Remove funding for deploying street urinals	(8)	(8)	(8)	(8)	(8)	Stop/Reduce	7
HE_HCS_CS05(xii)	50 Remove budgets for transport marshals.	(50)	(50)	(50)	(50)	(50)	Stop/Reduce	8
HE_HCS_CS05h	55 Remove funding for Community Fire Safety Task Group	(7)	(7)	(7)	(7)	(7)	Stop/Reduce	11
HE_HCS_S03(i)	63 Reduce Housing Support Budget by 10%	(250)	(250)	(250)	(250)	(250)	Stop/Reduce	14
HE_HCS_S04(vii)	68 Reduce Core Care & Repair Service	(42)	(42)	(42)	(42)	(42)	Stop/Reduce	15
		<b>(542)</b>	<b>(602)</b>	<b>(602)</b>	<b>(602)</b>	<b>(602)</b>		
<b>Environment, Planning &amp; Infrastructure</b>								
<b>Efficiency Options</b>								
EPI_A/MO29	23 Introduction of charges to residents for Garthdee CPZ (TRADING)	(14)	(28)	(28)	(28)	(28)	Efficiency	0
EPI_A/MO30	27 Increase charge levels for Residents Parking Permits (TRADING)	(72)	(137)	(137)	(137)	(137)	Efficiency	0
EPI_A/MO11b	29 Tactically Dispose of Selected Property to support Non-Housing Capital Plan (TRADING)	261	450	450	450	450	Efficiency	0
		<b>175</b>	<b>350</b>	<b>285</b>	<b>285</b>	<b>226</b>		
<b>Corporate Governance</b>								
<b>Efficiency Options</b>								
CG_F_32	51 Reduce Council Tax Relief on second homes (RISK)	0	0	0	0	0	Efficiency	9
<b>Stop/Reduce Options</b>								
<b>Council wide Options</b>								
ACC_S08	94 Corporate Bond Issue	(4,750)	400	400	400	400	Transformation	12
		<b>(4,750)</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>		
<b>Office of Chief Executive</b>								
		0	0	0	0	0		0
		0	0	0	0	0		0
		<b>(5,430)</b>	<b>(2,011)</b>	<b>(2,449)</b>	<b>(2,449)</b>	<b>(2,508)</b>		



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Councillor Kevin Keenan  
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Our ref: B5082094

14 September 2011

*Kevin Keenan*

This letter contains the terms of the settlement to be provided to local government for 2012-15 under the 2011 Spending Review. This settlement has been established against the background of the tightest financial constraints for a generation and represents the best that can be achieved in these circumstances. COSLA is invited to agree the terms of the settlement set out below on behalf of local authorities.

This settlement is firmly anchored in the ongoing relationship between the Scottish Government and local government and our commitment to working together on our Joint Priorities. We have reaffirmed our commitment to our partnership and are clear about the benefits which have flowed from it in the form of more effective delivery of the outcomes that matter to the people of Scotland.

The Scottish Government's total budget for 2012-13 under Spending Review 2011 is £34 billion. In assessing the settlement, the Scottish Government has taken account of the unique position of local government in the governance of Scotland and its commitment to the delivery of Joint Priorities and has accordingly committed to maintain local government's share of DEL plus NDRI above that inherited in 2007-08.

How the level of funding support will be distributed to individual authorities will be the subject of consultation through the jointly chaired Settlement and Distribution Group and set out in a Scottish Local Government Finance Circular in early December.

The detail of the settlement is described below.

Under the settlement, all local authorities will continue to work in partnership with Scottish Government in pursuit of our Joint Priorities, including delivery of the Government's programme as set out in *Renewing Scotland: the Government's Programme for Scotland 2011-12* and the *Government Economic Strategy*.

As part of this, local authorities, together with their community planning partners, are encouraged to increase their focus on prevention in making decisions about the use of resources. In particular, they are encouraged to contribute funding to change funds to support the greater alignment of budgets on a preventative basis. The level of funding deployed on this basis and the activities that it will support should be determined locally in line with a framework established at a national level by the existing joint Ministerial Group on Health and Social Care and a new Early Years Taskforce, which is to be established.

The Scottish Government recognises the significant pressure upon local authorities' capital budgets. However, capital expenditure is critical to economic recovery and I very much hope that we can work together to see to what extent the ability of local government to borrow can sensibly be used to maximise capital expenditure, whilst recognising that decisions to borrow are a matter for individual local authorities.

In addition to the pursuit of Joint Priorities, individual local authorities will, in return for this settlement, deliver certain specific commitments. Delivery of these commitments will be monitored and in the event of a failure to deliver, appropriate adjustments made to distributable resources as described below.

Maintain a council tax freeze in each of the three years of the Spending Review. As in previous years, the Scottish Government will hold back £70 million from the Local Government Finance Order put to Parliament in early February (representing the amount to be made available to councils which freeze their council tax). Parliamentary approval to pay out the remaining amount will be sought in March of each year of the Spending Review, once all councils have set their budgets and their council tax rates for the year ahead.

Maintain teacher numbers in line with pupil numbers and secure places for all probationers who require one under the teacher induction scheme. Failure to deliver sufficient FTE teachers as reported in the annual census may invoke collective and/or individual sanctions in the shape of corresponding reductions in the local government settlement for future years. Scottish Government and COSLA will agree these numbers in the context of on-going discussions on the effective delivery of school education.

Individual local authorities to pass on their full share of funding to Police Boards in line with the existing agreed level for 2011-12 as a contribution to maintaining the number of police officers at least at 17,234 throughout the Spending Review period 2012-15.

In addition, a working group between Scottish Government and local government will be established to ensure that within the police and fire services there is a focus of spend on jointly agreed central and local government priorities.

The settlement for local government in each year of the Spending Review period will be at a level of revenue funding maintained at that of 2011-12, inclusive of resources being provided to fund the maintenance of the council tax freeze (£70m). In addition to this amount, revenue funding will be provided in line with that provided in 2011-12 to support the maintenance of teacher employment. Local government's share of capital funding represents a continued share of 28% of the total capital resource in the Scottish budget profiled over a four year period to 2015-16.

Further resources (estimated at £25m) will also be provided in each year to deliver the Scottish Government's commitment that no individual local authority should receive less than 85% of the average level of distributed funding to each local authority.

The total funding, including provision for the council tax freeze, the support for teacher employment and the new 85% funding floor, which the Scottish Government will provide to local government is as follows:

Year	£m
2012-13	11,477.7
2013-14	11,441.9
2014-15	11,702.3

This total includes the Government's estimate of non domestic rate income over the period.

Within this total, revenue funding will amount to £10,914.7m/£10,924.6m/£10,924.6m, including the funding to deliver a council tax freeze, and capital £563m/£517.3m/£759.7m over the period. This takes into account the re-profiling of -£120m/-£100m/+£120m/+£100m in capital budgets and comes with a commitment that £100m will be added to Local Government's capital share in the next Spending Review for 2015-16.

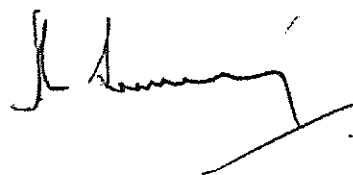
The £11,702.3 million represents 37.2% share of the Scottish Government's total DEL plus NDRI budget in 2014-15. As noted above, this maintains local government's share of resources above the level set in 2007-08. The capital settlement also maintains local government's share of the Scottish Government's capital budget at the level it was in 2009-10, as agreed last year between the Scottish Government and COSLA.

As part of the ongoing partnership and shared commitment to Joint Priorities, the Scottish Government stands ready to take such steps as may be required to maintain the effectiveness of local government in its central role in the delivery of better outcomes at a local level and strengthening the framework for partnership working around community planning partnerships where a compelling case for change is made. All such measures should be grounded in the partnership based approach to public service reform in line with the agenda set out in the report of the Christie Commission.

In addition, and on the basis of a revised business case that you may wish to present, the Government will explore what savings could be realised if proposed legislation were reintroduced to remove the need for authorities to advertise public information notices in printed media.

This settlement for 2012-15 provides the best outcome that can be achieved in the challenging financial circumstances. Notwithstanding the challenges that it brings, it also provides a robust platform for building on the successes achieved to date under our partnership to continue to deliver better outcomes to the people of Scotland.

*Yours sincerely,*



JOHN SWINNEY

