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To: All Members of the Council

Town House,
ABERDEEN, 14 February 2017

COUNCIL BUDGET MEETING

The Members of the **COUNCIL** are requested to meet in Council Chamber - Town House on **WEDNESDAY, 22 FEBRUARY 2017 at 2.00pm.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

B U S I N E S S

- 1 Aberdeen: The Smarter City - Progress Report 2012-2017 (to follow)
- 2 Strategic Business Plan Refresh 2017-2018 (Pages 3 - 64)
- 3 General Fund Revenue Budget 2017/18 to 2021/22 and Non-Housing Capital Programme 2017/18 to 2021/22 (Pages 65 - 144)
- 4 Draft Housing Revenue Account (HRA) Budget and Housing Capital Budget 2017/18 to 2021/22 (Pages 145 - 178)
- 5 Common Good Budget 2017/18 - 2021/22 (Pages 179 - 192)
- 6 North East Scotland Pension Fund Budget 2017/18 - 2021/22 (Pages 193 - 198)

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Should you require any further information about this agenda, please contact Martyn Orchard, tel. 01224 523097 or email morchard@aberdeencity.gov.uk

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	22 nd February 2017
LEAD OFFICER	Chief Executive
TITLE OF REPORT	Strategic Business Plan Refresh 2017-2018
REPORT NUMBER	OCE/17/002
CHECKLIST COMPLETED	YES

1. PURPOSE OF REPORT

The report brings before the Council a refreshed Strategic Business Plan for 2017-2018.

2. RECOMMENDATION

That the Council notes the content of the refreshed Strategic Business Plan 2017-2018.

3. FINANCIAL IMPLICATIONS

The Strategic Business Plan is presented to the Council with the 2017/18 to 2021/22 budget. The financial implications of specific programmes of work and projects will be fully considered through normal governance.

4. OTHER IMPLICATIONS

The alignment of the Strategic Business Plan to Aberdeen City's Community Planning Partnership's Local Outcome Improvement Plan will have significant positive implications for the delivery of the Partnership's vision.

The programmes of organisational change and transformation included with the Strategic Business Plan will have profound implications for the future state of the Council.

5. BACKGROUND/MAIN ISSUES

In February 2016 the Council agreed a Strategic Business Plan which translated the Council's vision into objectives and targets. The attached refreshed Strategic Business Plan for 2017/18 builds on this.

Amongst the significant developments I would highlight:-

i. Local Outcome Improvement Plan

During 2016/17 Aberdeen City's Community Planning Partnership agreed a new Local Outcome Improvement Plan (LOIP), replacing the previous Single Outcome Agreement. The LOIP has been developed as a shared, city-wide plan for improvement, setting out collaborative actions to tackle the challenges facing the City. It is fundamental to realising the Partnership's vision for the City that all partners align their plans and resources to the delivery of the LOIP. The Strategic Business Plan 2017/18 does this for Aberdeen City Council.

ii. Change and Transformation Programmes

The Council's operations will be required to adapt to anticipated budgetary challenges, as well as legislative / regulatory change and increasing demand. The Strategic Business Plan contains details of a broad approach to change as well as setting the direction for radical transformation through embracing the "art of the possible" in a supportive and dynamic organisational culture.

Further reports will be brought to relevant committees as and when required.

6. IMPACT

Improving Customer Experience –

The Strategic Business Plan sets out an improvement programme for customer experience.

Improving Staff Experience –

The Strategic Business Plan sets out an improvement programme for staff experience.

Improving our use of Resources –

The Strategic Business Plan sets out an improvement programme for making best use of our resources.

Corporate –

The refreshed Plan ensures that Directorate, Service and personal objectives are aligned to priorities and links risk and performance management with these objectives.

Public –

The refreshed Strategic Business Plan is of public interest and arrangements are being made for appropriate communication.

7. MANAGEMENT OF RISK

Any significant risks will be identified and managed as appropriate. The Plan includes details of the review of the Council's system of risk management supported by The Good Governance Institute.

8. BACKGROUND PAPERS

CPP's Local Outcome Improvement Plan
"Aberdeen: the Smarter City"
"Audit of Best Value and Community Planning"
"Being Digital"

9. REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL

**STRATEGIC BUSINESS PLAN
REFRESH 2017-2018**

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 - Customer Experience
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6. Delivery Through Our Commissioning Intentions
7. Resources Required (Revenue and Capital)

1. INTRODUCTION

Aberdeen City Council is a leading partner of Community Planning Aberdeen which has set a vision for Aberdeen City:-

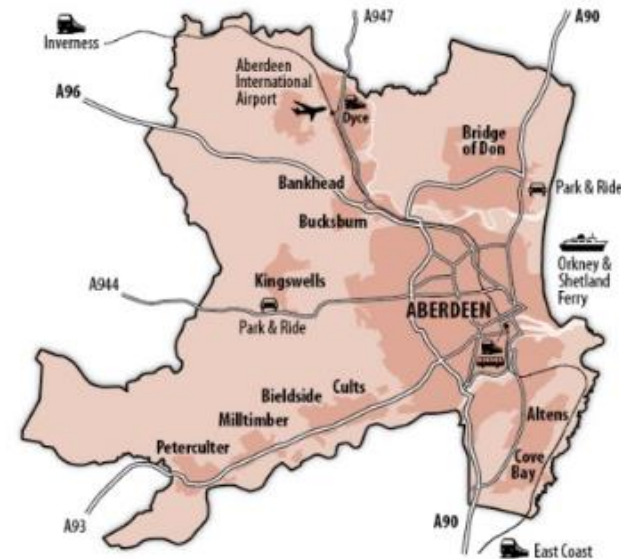
To ensure the people and place prosper and to protect the people and place from harm

This reflects our desire to help all people, families, businesses and communities to do well, succeed and flourish.

The North East Region is a high performing regional economy. Our success has been driven largely by the opportunities in the oil and gas sector, and by a number of other strong performing sectors. However, the level of investment in the public infrastructure has struggled to keep pace with the demands being placed on it by a fast growing economy and industry investment.

Since the end of 2014, the local economy has suffered as a result of the global oil price decline. Business has slowed and, while this downturn is not the first of its kind, it highlights a growing and urgent need to diversify the local economy to ensure economic sustainability.

Some of the most affluent areas of Scotland are within Aberdeen City, but equally some of Scotland's most deprived areas are within the City boundaries. Overall, headline levels of deprivation remain low, however almost 30% of households in Aberdeen are in fuel poverty, 18% of children in Aberdeen are living in poverty and the majority of those children are living in a working household.

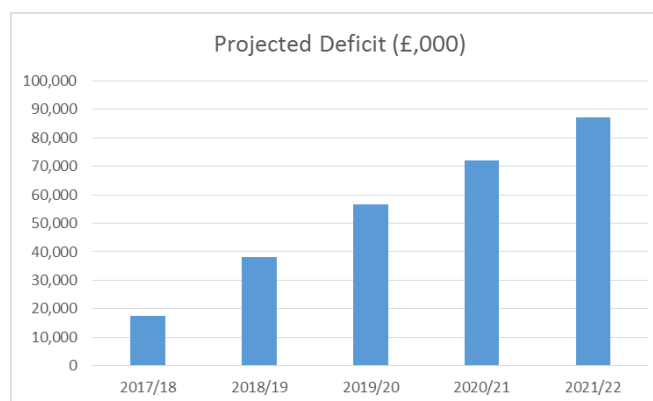


This City vision will be delivered against a backdrop of changing and increasing demand for public services. By 2037 the number of people over 65 in Aberdeen City is projected to rise by 56%. An increase is also projected in the number of school age children.

This is a time of profound change for public services in Scotland. This includes the increasing role which the Council plays as a key partner in planning and delivering more integrated policy and services with our partners through the Aberdeen Community Planning Partnership (CPP). During 2016 the CPP replaced its existing Single Outcome Agreement with a new Local Outcome Improvement Plan (LOIP). It is important that the Council's Strategic Business Plan is fully aligned to the LOIP. The policies of the Scottish and UK Governments will also have a significant impact on our plans for the years ahead, as well as developments across the wider Aberdeen City Region. Some of the key changes which will influence the future role, functions and priorities of the Council are:

- Aberdeen CPP's Local Outcome Improvement Plan, to which this Plan is fully aligned
- An anticipated Scottish Local Government Bill which forms part of the Scottish Government's "Programme for Government"
- Proposals for the establishment of a regional education model
- Involvement and empowerment of local communities in design and delivery of services as a result of the Community Empowerment Act
- A review of national, regional and local arrangements for enterprise and skills

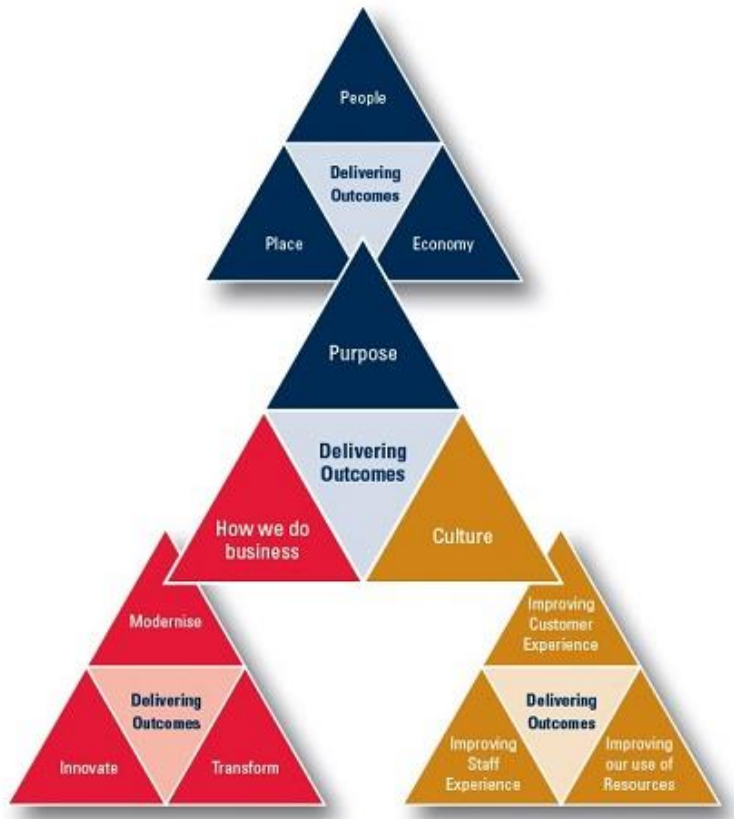
As reflected through the 2017/18 budget, the Council faces a budget shortfall of £86m over the next five years.



In addition, following Aberdeen City Council's innovative approach for financing capital programmes through the issue of a Bond on the London Stock Exchange, the Council is required by legislation to be highly structured and commercially focused in its financial planning and management, in particular with regard to issues which may have a detrimental effect on the ability of the Council to meet its debts.

Shaping Aberdeen

To realise our ambitions in this challenging environment the Council has begun a programme of change called “Shaping Aberdeen” and it has 3 parts:



Our purpose - What Our Business is

To ensure the alignment of all Council strategies and plans to the LOIP’s vision, as well as ensuring clear delivery plans for the Council’s own set of strategies and priorities.

How do we do business?

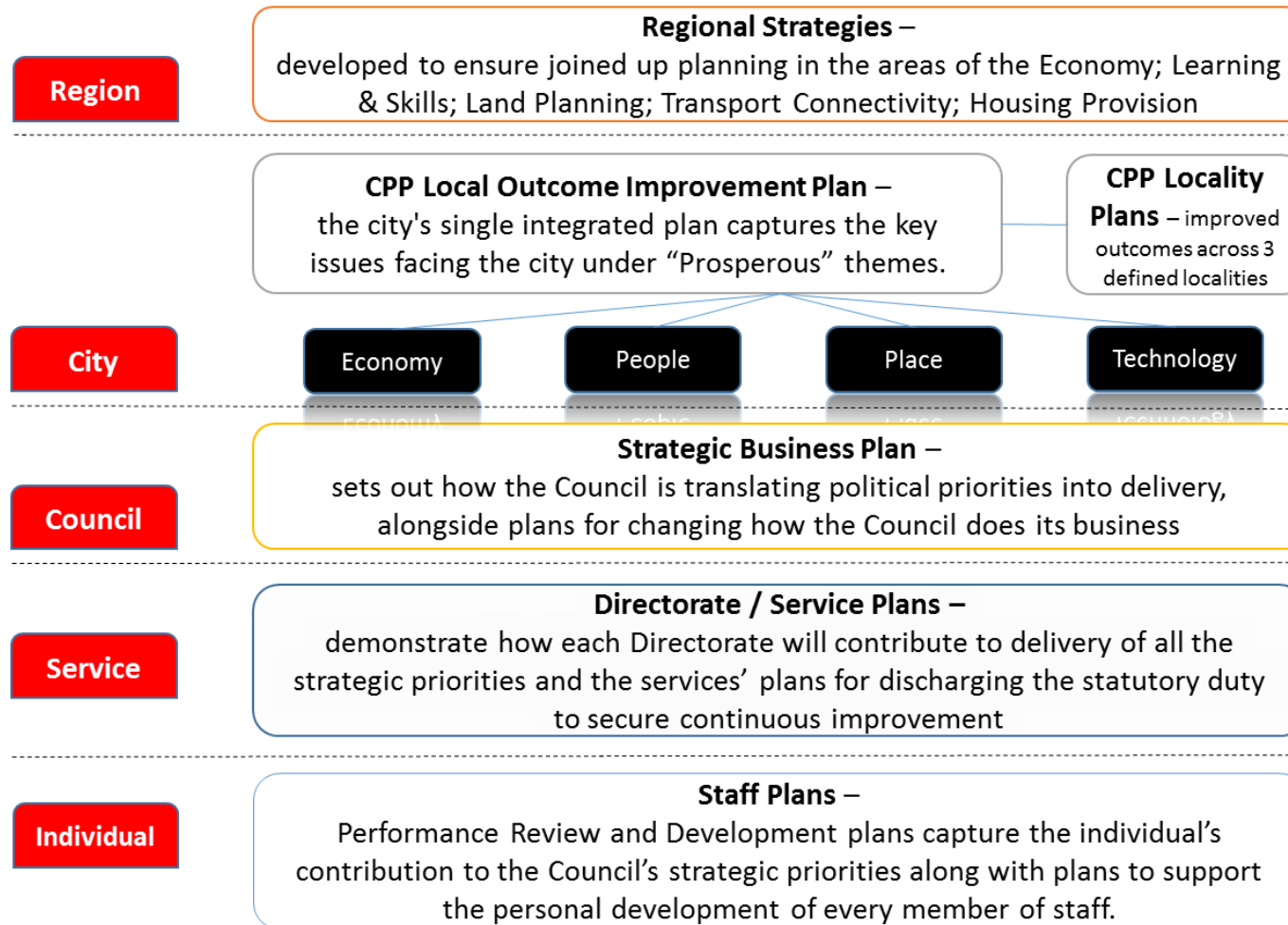
The modernisation and transformation of how we deliver our services through making best use of technology.

How we behave as an organisation?

Capable, confident, engaged and positive *staff* who deliver excellent *customer* service and consciously make best use of our *resources*. An organisation that maintains its focus on its customers, its staff and how it uses the resources available to it.

2. THE “GOLDEN THREAD”

As noted above, the Council needs to operate across different planning levels from the North East region to individual localities, such as Torry, whilst internally planning from the corporate level to individual members of staff.



3. SHAPING ABERDEEN - OUR PURPOSE – WHAT OUR BUSINESS IS

Our Purpose is to support the prosperity of the city's:-

- *Economy*
- *People*
- *Place*

This is enabled by the use of *technology*.

The Council's Strategic Priorities for 2017/18, therefore, comprise identifiable priorities for the Council within:-

- i. **The CPP's Local Outcome Improvement Plan (LOIP)-**
The LOIP has been developed by Community Planning Aberdeen as a shared, city-wide plan for improvement. It provides a clear blueprint for collaborative actions to tackle the challenges facing the City.
- ii. **"Aberdeen: the Smarter City"** – This Council policy statement has underpinned the Council's strategic planning since 2013.
- iii. **CPP Locality Plans** – These set out priorities for areas of socio-economic disadvantage and these will be reflected within Directorate and Service Plans.



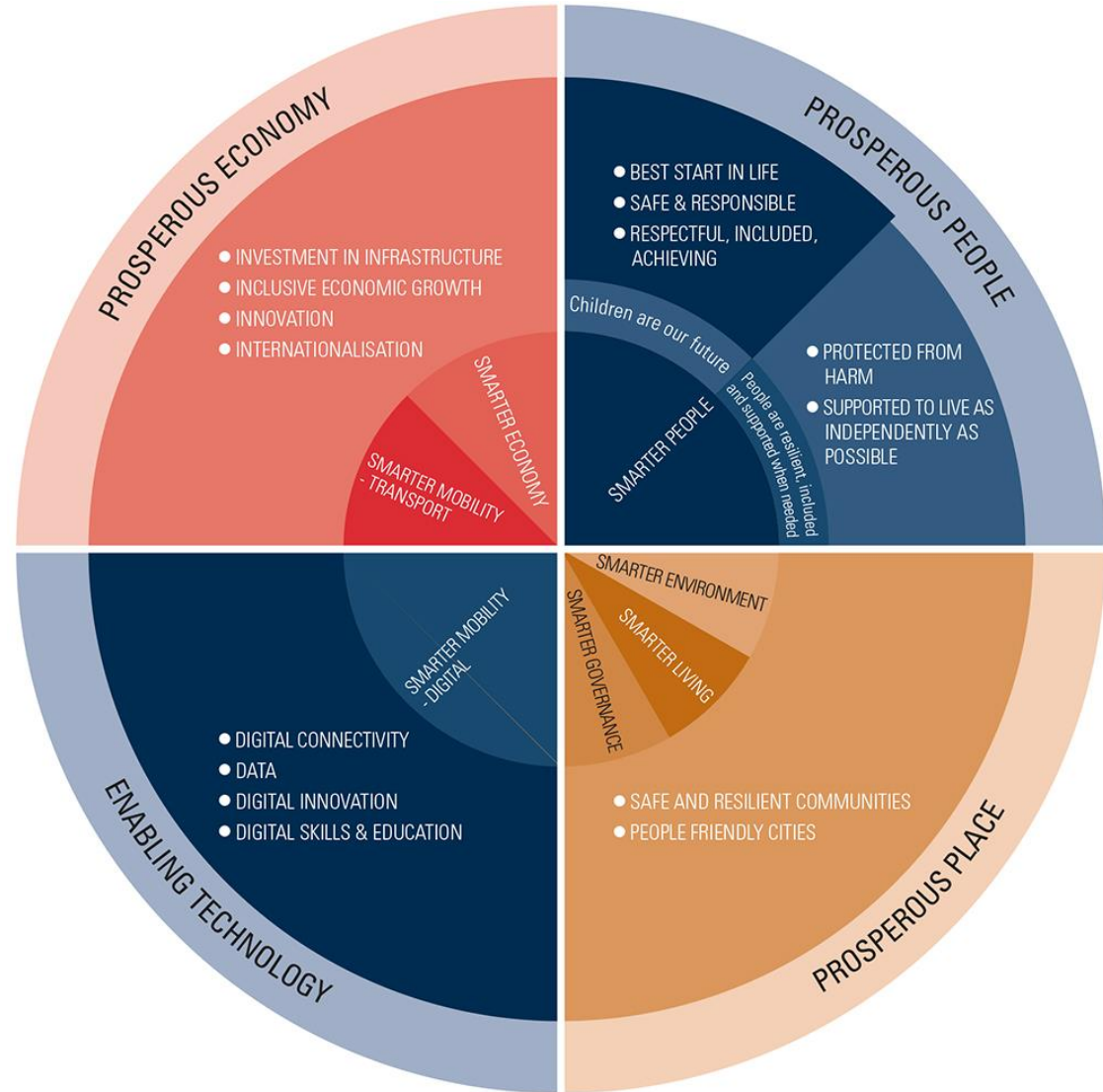
This Strategic Business Plan sets out how the Council is translating these strategic priorities into the delivery of positive outcomes for the City and its communities.

The figure opposite shows how the priority areas of the CPP's Local Outcome Improvement Plan and the priorities from the Council's policy statement "Aberdeen: the Smarter City" relate to, and support, each other.

The Local Outcome Improvement Plan priorities are shown in the outer two rings

The themes from "Aberdeen: the Smarter City" are shown in the inner ring

The remainder of this Strategic Business Plan demonstrates how the Council will translate these priorities into delivery, alongside plans for changing how the Council does its business



3.1 Prosperous Economy

The North East of Scotland is one of the most prosperous regions in the UK. There have been a number of challenges to accommodating this growth historically and in looking at the region's economic development, Aberdeen needs to be at the heart of a city region that competes with other similar cities not just in Scotland and the UK, but internationally.

Economic activity in the North East is high. Gross Value Added per head is £36,242, the second highest in the UK and 65% higher than the Scottish average. There are significant opportunities to sustain and grow activity in both the short and longer term. The immediate focus is on maximising economic recovery from remaining oil and gas reserves in the UK Continental Shelf while the City we identify ways to further develop the North East as an international oil & gas research and development centre.

Key to this transition will be retention of the talent and transferable skills that currently exist within our businesses and educational institutions. In 2014 Aberdeen was ranked 2nd among the UK's 63 largest cities in terms of the number of patents per 1,000 population, testimony to a variety of internationally significant research centres such as the National Subsea Research Institute, the Rowett, the Marine Lab & James Hutton Institute.

It is also important that expertise continues to be retained and developed within our schools, college and universities to encourage, grow and attract more world-leading innovation in this region. Two leading research universities are located in Aberdeen and provide a highly skilled workforce in applied sciences, technology and engineering.

National and Regional Legislative and Policy Context

A number of legislative and policy initiatives will impact on how these priorities are delivered. These include:-

- Brexit
- Increasing devolved powers for the Scottish Parliament to raise and vary taxation
- National review of the national, regional and local arrangements for enterprise and skills
- Proposals for a devolved employment support programme
- National Review of business rates
- Air Departure Tax (Scotland) Bill
- Decommissioning Action Plan
- Oil & Gas Transition Training Fund
- A revised "Tourism Scotland 2020 Strategy"
- Manufacturing Strategy / Circular Economy Strategy

Council Contribution

The Council has a lead role in working with partners to deliver a “Prosperous Economy” through fully implementing the commitments made in the LOIP. Our corporate priorities for 2017/18 are outlined below.

Improvement Outcome 1 - Investment in infrastructure

Infrastructure is critical for the City to remain an internationally competitive business environment and to secure a long term economic future - transport connectivity, information and communications technologies, business land and property and housing are key. We will seek to fast track development of infrastructure through the City Region Deal with the UK and Scottish Governments and are committed to investing in an infrastructure that caters for the needs of a high performing international city economy – roads with capacity to cope with the demands of business, extensive air and sea links, digital connectivity to develop competitive business, and a competitive and accessible public transport system.

Aberdeen City Council Objectives	How We Will Measure Success
We will prioritise development of those transport and other intervention activities in the Aberdeen City Centre Masterplan that deliver the biggest economic impact	<ul style="list-style-type: none"> • Increase the sqm of enhanced and new public space and reclaimed streets for pedestrians in the City centre • Increase the sqm of upgraded retail and leisure development, new office development and new hotels in the City Centre • Footfall in Aberdeen’s Business Improvement District • Increase % of people accessing city centre using travel other than car.
<p>We will refresh the City’s Local Housing Strategy and link this to broad City priorities, including improving health and social care; giving children the best start in life.</p> <p>We will consider viability of expanding “Places for People”, a joint venture model to deliver ‘private rented sector’ homes regionally</p>	<ul style="list-style-type: none"> • Increase the sqm of new residential dwellings in the City centre. • Number of new build houses per year • Number of affordable houses built annually
We will develop a plan to incentivise bringing underused space above shops and long term empty retail units into residential use	<ul style="list-style-type: none"> • Increase % occupancy in city centre premises

Aberdeen City Council Objectives	How We Will Measure Success
We will secure significant improvements in the city's green/active travel (walking, cycling) network	<ul style="list-style-type: none"> • % of people cycling as main mode of travel • Increase in satisfaction levels with city's green spaces
We will develop new ways of dealing with waste	<ul style="list-style-type: none"> • % of household waste that is recycled
We will collaborate in the development of an Inward Investment Plan that looks at how alternative financial models which can be used to invest in/deliver regional priorities of broadband.	<ul style="list-style-type: none"> • % of premises in receipt of superfast broadband
We will provide 5 year certainty in the supply of available land (Delivery of x,000 units)	<ul style="list-style-type: none"> • supply of derelict and vacant land

Improvement Outcome 2 - Innovation

Innovation is a vital driver of long-term sustainable economic growth. The City Region Deal sets out investment hubs for Innovation in the Oil & Gas, Agri-Food & Nutrition and Life Sciences sectors. Through linking this investment in innovation to learning within the city, the Council has a key role to play in supporting this. We will link schools to the 4 Innovation centres. The city also boasts Europe's largest fuel cell bus fleet and Scotland's first facility for hydrogen production and the Council will continue to support a low carbon fleet.

Aberdeen City Council Objectives	How We Will Measure Success
We will link innovation in "tele-health" and "tele-care" to local economic development	<ul style="list-style-type: none"> • % increase in citizens receiving care in the home
We will work with European and National Funding programmes to improve renewable energy infrastructure	<ul style="list-style-type: none"> • Number of hydrogen buses
We will invest in a Fleet Replacement Programme (Inc. Zero Waste Strategy Fleet)	<ul style="list-style-type: none"> • % of Council fleet low carbon vehicles

Improvement Outcome 3 - Inclusive Economic Growth

While the high wages and salaries on offer in the oil and gas sector have attracted people into the region, this has caused recruitment challenges in other sectors, while a lack of affordable housing and income inequalities has led to people living away from key employment centres in the city. Through the objectives below the Council’s aims to ensure that the benefits of economic prosperity and felt by all of the city’s citizens.

Aberdeen City Council Objectives	How We Will Measure Success
We will refresh the City’s Local Housing Strategy and link this to broad City priorities, including improving health and social care; giving children the best start in life	<ul style="list-style-type: none"> • Number of new build houses per year • Number of affordable houses built annually
We will consider viability of expanding “Places for People”, a joint venture model to deliver ‘private rented sector’ homes regionally	
We will work with partners and the community to develop iconic tourism attractions to capitalise on non-business tourism and leisure markets and stimulate diverse culture and creative offerings	<ul style="list-style-type: none"> • Increase tourists to Aberdeen
We will develop and implement Locality Plans for those communities experiencing socio economic disadvantage	<ul style="list-style-type: none"> • % of adults agreeing that they can influence decisions affecting their local area
We will support the implementation of “Developing the Young Workforce” through seeking “Investors in Young People” accreditation	<ul style="list-style-type: none"> • Accreditation achieved
We will deliver actions in the Regional Skills Strategy	<ul style="list-style-type: none"> • % of Regional Skills Strategy actions implemented
We will develop a specific ‘economic footprint’ action plan across directorates with a focus on ensuring that community benefit clauses deliver against Locality Plans for Torry, the wider Northfield area and Woodside, Tillydrone and Seaton	<ul style="list-style-type: none"> • Number of residents from target areas accessing opportunities (work experience / apprenticeship / job) through community benefit clauses

Improvement Outcome 4 - Internationalisation

Internationalisation supports growth, innovation and productivity and is a key characteristic of successful regional economies. Internationalisation is already at the heart of the Aberdeen City Region, and is a driving force for the internationalisation strategy for the whole of Scotland. We want to build on our track record as one of the most international regions in the UK and the Council has committed to significant investment designed to make Aberdeen an even more attractive place to visit and invest in.

Aberdeen City Council Objectives	How We Will Measure Success
We will deliver the £330m new Aberdeen Exhibition & Conference Centre and support the establishment of a new operator	<ul style="list-style-type: none"> • Successful delivery of AECC
We will deliver a £30m refurbishment of Aberdeen Art Gallery in 2017	<ul style="list-style-type: none"> • Increase footfall at the Art Gallery
We will support the development of the City harbour expansion plan	<ul style="list-style-type: none"> • Successful delivery of the harbour development
We will deliver year one priorities from the Aberdeen Inward Investment Plan [note: scheduled for consideration by Council on 15th March 2017]	<ul style="list-style-type: none"> • Number of Foreign Direct Investments in to Aberdeen • Number of jobs created by Foreign Direct Investments • Number of out- and in-bound trade missions delivered
We will continue to develop a diverse range of international trade links to support the export potential of Aberdeen companies	

Prosperous Economy - Committed Capital Projects - (Draft 17/18 Budget)

- | | |
|---|---|
| ❖ Aberdeen Exhibition & Conference Centre | ❖ Cycling Walking Safer Streets |
| ❖ City Centre Regeneration | ❖ Nestrans Capital Grant |
| ❖ Access from the North / 3rd Don Crossing | ❖ Planned Renewal & Replacement of Roads Infrastructure |
| ❖ Aberdeen Western Peripheral Route | ❖ City Deal: Strategic Transport Appraisal |
| ❖ Strategic Land Acquisition | ❖ City Deal: Aberdeen Harbour Expansion Project |
| ❖ CATI - South College Street | ❖ Sustrans Active Travel Infrastructure Fund |
| ❖ CATI - Berryden Corridor (Combined Stages 1, 2 & 3) | ❖ Art Gallery Redevelopment - Main Contract (HLF) |
| ❖ A96 Park & Choose / Dyce Drive Link Road | |

3.2 Prosperous People

i. **Children are the Future**

Our ambition is to support every child, irrespective of their circumstances, to grow, develop and reach their full potential. We want Aberdeen to be a city where there is equality of outcomes and opportunities for all our children. Our priorities reflect the importance we place on supporting equity of access to education, supporting families to provide the best care they can for their children. We will also invest in the health, including mental health, of our children and young people.

Aberdeen City offers rich opportunities for all children and young people to achieve and become successful, responsible, confident and contributing adults. Through implementing future focused engagement and participation strategies across Aberdeen City, we will continue to ensure that children and young people are respected and included citizens in their city.

National and Regional Legislative and Policy Context

A number of legislative and policy initiatives will impact on how these priorities are delivered. These include:-

- Establishment of regional education model
- Carers (Scotland) Act 2016
- Double the provision of free early learning childcare by 2020
- National Standardised Assessments
- Child Poverty Bill
- Provision of universal free school meals
- Additional qualified teacher or childcare graduate for nurseries in the most deprived areas
- Child Protection Improvement Programme
- Developing the Young Workforce Strategy

Council Contribution

The Council has a lead role in working with partners to deliver and fully implement the priority commitments made in the LOIP. Our corporate priorities for 2017/18 are shown below.

Improvement Outcome 1 - Children have the best start in life

The period from conception through to age two is the most critical period in a child's life. During infancy and early childhood, children are flooded with new experiences that impact on their brain development, and there is an opportunity for us to support children to grow and to ensure that healthy and positive habits are formed from a young age.

Aberdeen City Council Objectives	How We Will Measure Success
We will expand early learning and child care, and out of school care	<ul style="list-style-type: none"> • Increase number of available early learning and childcare places: City wide (aim to meet 100% of demand by 2020/21)
We will ensure continued quality of childcare provision	<ul style="list-style-type: none"> • Maintain % of Early Learning and Childcare Inspections at 100% • Increase Proportion of Positive inspection Outcomes • Increased satisfaction of parents with ELCC services
We will deliver workforce development and expansion within early learning and childcare services	<ul style="list-style-type: none"> • Improve Recruitment [Increase in number of staff entering early learning and childcare sector] Data based on a Training Needs analysis • Increase in number of staff undertaking qualifications to improve quality and meet SSSC requirements
We will expand Me2 programme to support Looked After 2 year olds	<ul style="list-style-type: none"> • Increase the no. of places available with a view to meeting 100% of demand
We will ensure that the Council shows how the impact on children has been considered in all strategic planning and decision making	<ul style="list-style-type: none"> • Strategies and plans identify impact on children

Improvement Outcome 2 - Children are safe and responsible

Everyone has a responsibility to keep children and young people safe from harm, and no single agency can do this alone. Children need to be kept safe from harm in order to thrive and reach important developmental milestones, and to ultimately become responsible and contributing citizens. Keeping children safe means more than ensuring their physical safety; looking after their emotional and mental well-being is equally important.

Aberdeen City Council Objectives	How We Will Measure Success
We will implement Reclaiming Social Work	<ul style="list-style-type: none"> • Reduce the number of young people in out of Authority Places • Ensure CP re-registration rates will be in line with the national average (rate per 1000 pop aged 0-16)
We will implement of Getting it Right For Every Child in line with the requirements of the Children and Young People (Scotland) Act 2014	<ul style="list-style-type: none"> • Increase in % of children's plans assessed as good • Monthly Reviews of Children's Plans
We will improve in early intervention supports for offenders / victims and parents	<ul style="list-style-type: none"> • Reduce exclusion rates (per 1000 pupils) • Increase no. young people engaged in diversionary activity programmes
We will implement the recommendations of the Good Governance Institutes review of Public Protection as they relate to Aberdeen City	<ul style="list-style-type: none"> • % of recommendations due which are fully implemented
We will implement the requirements of the Carers (Scotland) Act as it relates to children and families	<ul style="list-style-type: none"> • Compliance with requirements

Improvement Outcome 3 - Children are respected, include and achieving

Every child has a right to be treated with respect and dignity at all times, regardless of their age, gender, ethnicity or background. They all reserve the right to express their views on matters that directly affect them and to have those views listened to and considered. A child or young person who feels respected and included is one who is more likely to succeed in life. It is also important for children to feel that they are part of a supportive community that helps them to achieve their potential.

Aberdeen City Council Objectives	How We Will Measure Success
We will deliver improvement and close the outcome gap	<ul style="list-style-type: none"> • Reduce Attainment Gap between highest and lowest achieving 20% (Tariff Scores) • Increased LAC Attainment (% of LAC achieving Literacy and Numbers at SQF Level 4 or above) • % of teachers improving awareness of equality and diversity through CPD
Promote Youth Democracy and Political Literacy, in accordance with ICS Participation Strategy	<ul style="list-style-type: none"> • Increase no. of established forums whereby young people can participate in youth democracy
All young people with Additional Support Needs are educated in their local community in line with 'Aberdeen City Inclusion Review' recommendations	<ul style="list-style-type: none"> • Percentage of pupils identified as having an additional support need educated in their local community. • Reduction in Number of young People with ASN being transported • Decrease no. of LAC educated out with the local authority (snapshot June 16, subject to variances in total LAC population size)
Partnership working to evaluate and deliver targeted support to schools and their local communities	<ul style="list-style-type: none"> • Improve Proportion of Positive School Inspection Outcomes (Quality Indicators/ Primary and Secondary School Combined)

Prosperous People - Committed Capital Projects- (Draft 17/18 Budget)

- ❖ Centre of Excellence (formerly ASN)
- ❖ New Academy to the South – ICT and Infrastructure
- ❖ New Milltimber Primary
- ❖ Kingsfield Childrens Home
- ❖ Stonewood Primary
- ❖ Tillydrone Primary School
- ❖ Torry Primary School and Hub

ii. People are Resilient, Included and Supported When in Need

All people in Aberdeen are entitled to live within our community in a manner in which they feel safe and protected from harm, supported when necessary and fully included in the life of the city. All citizens are equally entitled to enjoy these aspirations, and it is recognised that people may, at times become vulnerable. People sometimes need others to support their achievement of a full, active, safe citizenship.

Ensuring that Aberdeen is a place where everyone feels safe, supported and included is important to the wellbeing of people and communities, as well as the overall reputation of the city. The quality and design of a place can significantly influence the ability of individuals and communities to live in healthy, sustainable ways. Issues such as wellbeing and quality of life, physical and mental health, social and cultural life, carbon emissions and energy use are all influenced by the quality of the environment.

Each of Aberdeen's community planning partners will focus on delivering tangible improvement in these areas and the LOIP identifies primary and secondary drivers as well as improvement measures and targets.

National and Regional Legislative and Policy Context

A number of legislative and policy initiatives will impact on how these priorities are delivered. These include:-

- Potential regional approach for carers and cared for people
- Strategy for families with disabled children
- Framework and standards in social work education
- Social Security Bill and establishment of a new "Social Security Agency"
- Community Justice Strategy
- Refresh the national strategy for housing for Scotland's older people
- 10 year Mental Health Strategy
- Dementia Strategy
- Diet and Obesity Strategy

Council Contribution

The Council has a lead role in working with partners to protect people from harm and support them to be resilient and independent through fully implementing the commitments made in the LOIP. Our corporate priorities for 2017/18 are shown below.

Improvement Outcome 1 - People and communities are protected from harm

We all have a responsibility to keep vulnerable adults safe from harm. Everyone has the right to live in safety, and the Council, with its partners, have a duty to safeguard people's health, wellbeing and human rights. There are many causes of vulnerability and adults can, at any time, become vulnerable. Adults can become vulnerable when they lack the ability to take care of themselves, or unable to protect themselves against harm. We will work with partners to understand and proactively respond to available intelligence to identify those with increased likelihood of requiring support, by using business intelligence

Aberdeen City Council Objectives	How We Will Measure Success
We will advance equality and reduce harm, harassment and abuse towards those individuals at risk/ potential risk	<ul style="list-style-type: none"> • Increase the number of people and families who may be at risk that are identified for support
We will provide intensive family intervention support to families with complex and multiple needs through the provision of a Priority Families Service, supporting reducing inequalities	<ul style="list-style-type: none"> • Number of families assessed as having 3 or more improved outcomes 6 months following conclusion of the support.
We will raise awareness of factors that can improve personal and community resilience, health and wellbeing	
We will work in partnership to strengthen resilience and capacity of people who are at risk of homelessness to maintain stable living arrangements	<ul style="list-style-type: none"> • Reduce repeat homelessness (within 12 months) • Increase % of households previously homeless that have sustained their tenancy for more than 1 year

Improvement Outcome 2 - People are supported to live as independently as possible

Sometimes people need more support than others to maintain or improve their quality of life. There are a range of services which play an important role in helping people with additional care and support needs to live as independently as possible and connect to their communities.

Aberdeen City Council Objectives	How We Will Measure Success
We will enable people to direct their own care and support as far as is reasonably practicable	<ul style="list-style-type: none"> • Number of people directing their own care and support as % of completed single shared assessments confirming eligibility • Establish the use of the Link App and measure increase in the utilisation of the app
We will develop self-management options/resources e.g. education, information, peer support, person centred staff and services, technology and carer support	<ul style="list-style-type: none"> • Increase in % of individuals able to look after their health very well or quite well.

Prosperous People - Committed Capital Projects (Draft 17/18 Budget)

- ❖ SIP New Build Housing Programme
- ❖ Tillydrone Community Hub
- ❖ Station House Media Unit Extension
- ❖ Investment in Tenanted Non-Residential Property Portfolio
- ❖ Refurbish Throughcare Facility - 311 Clifton Road
- ❖ Social Care Facilities – Burnside
- ❖ Private Sector Housing Grant (PSHG)

3.3 Prosperous Place

The quality and design of a place can significantly influence the ability of individuals and communities to live in healthy, sustainable ways. Embracing the opportunities presented by community empowerment legislation will enable communities to have a greater influence on their built environment and greenspace, and on the services delivered in their neighbourhood.

The environment is integral to the quality of life enjoyed in Aberdeen City and is vital in encouraging the wellbeing of citizens. Aberdeen has an established green heritage and is held in high regard across the UK as an “in-bloom” destination. Good quality, attractive green spaces and air quality promote exercise and improve people’s health and overall quality of life.

Each of Aberdeen’s community planning partners will focus on delivering tangible improvement in these areas and the LOIP identifies primary and secondary drivers as well as improvement measures and targets.

National and Regional Legislative and Policy Context

A number of legislative and policy initiatives will impact on how these priorities are delivered. These include:-

- Ongoing national commitment to affordable housing
- Circular Economy and Zero Waste Bill
- Review of Planning System
- Climate Change Bill and Climate Change Plan and Energy Strategy
- Development of a new National Transport Strategy and review of Strategic Transport Projects Review
- Low Carbon travel and Transport Programme
- Community Empowerment Act
- Council flood risk strategies

Council Contribution

The Council has a lead role in working with partners to improve Aberdeen as a “Prosperous Place” through fully implementing the commitments made in the LOIP. Our corporate priorities for 2017/18 are shown below.

Improvement Outcome 1 - Safe and resilient communities

A fundamental sense of safety and wellbeing has the greatest impact on people’s lives and builds community empowerment and resilience. Preventing crime and antisocial behaviour continues to be a priority for the Council working in partnership, but climate change and extreme weather events also pose a significant risk of harm to our communities.

Aberdeen City Council Objectives	How We Will Measure Success
We will implement the recommendations of the self-assessment framework for civil contingency responders	<ul style="list-style-type: none"> • % of actions due which have been fully implemented
We will implement local partnership boards as a key element of effective locality planning	<ul style="list-style-type: none"> • % of local partnerships in place
Proactively investigate youth annoyance and antisocial behaviour	<ul style="list-style-type: none"> • Reduce the number of antisocial behaviour incidents reported to: Council – Anti-social behaviour • Increase the no. of young people engaged in diversionary activity programmes who take on a coaching or volunteering role within their communities.
We will work with partners to develop a safe culture around alcohol consumption and its effect on the City and residents	<ul style="list-style-type: none"> • Increase no. of participants in Best Bar None and Unight to promote responsible drinking
We will participate in efforts to raise public awareness around the issue and impact of Domestic Abuse	<ul style="list-style-type: none"> • Increase no. Awareness raising events tackling Domestic Abuse at which Aberdeen City Council participates.
We will participate in enhanced partnership working to prevent and reduce crime and the subsequent fear/perception of crime across Aberdeen City	<ul style="list-style-type: none"> • Increase % of people feeling very or fairly safe when walking alone in their Neighbourhood

Improvement Outcome 2 - People Friendly City

As our population continues to grow and diversify, it is imperative that our city is built so it benefits people, the environment and the economy. This means building a city where all have the opportunity to enjoy the natural environment that can improve health, reduce stress and increase life expectancy.

Aberdeen City Council Objectives	How We Will Measure Success
We will support the design of our built environment with older people in mind	<ul style="list-style-type: none"> • Achieve Older people friend status using the Design of Streets with Older People in Mind Toolkit
Build a child friendly city to ensure that the best interests of the child is a primary consideration	<ul style="list-style-type: none"> • Achieve UNICEF Child Friendly City status (pilot project, criteria to be confirmed) • Increase % schools recognised by UNICEF as Rights Respecting School
We will ensure that all Aberdeen City Council's "family" group support the participation in health and fitness activities for all	<ul style="list-style-type: none"> • Ensure all public swimming pools and fitness gyms are accessible for people with a disability
We will lead the creation of a new place based community on a 3000 unit housing development, to include a Learning Hub to deliver education, social and health, sports and leisure facilities for all ages	<ul style="list-style-type: none"> • Improvement measures emergent – place shaping and planning by public partners is developing in a very different way from the past
We will extend our friends of parks groups and environmental walkabouts to encourage communities to get involved in improving their local environment through	<ul style="list-style-type: none"> • Increase in no. of people involved in friends of parks groups • Increase in no. of people involved in environmental walkabouts • Increase in number of asset transfer requests • Maintain level of Britain in Bloom or Beautiful Scotland awards achieved • Increase number of 'It's your neighbourhood' awards achieved' • Increase in volunteers involved in Britain in bloom and other environmental opportunities

Prosperous People - Committed Capital Projects - (Draft 17/18 Budget)

- ❖ Energy from Waste (EfW) Procurement and Land Acq
- ❖ Anaerobic Digestion Plant
- ❖ Investment in Waste Collection
- ❖ Co-mingled MRF & Depot
- ❖ Energy from Waste (EfW) Construction & Torry Heat Network
- ❖ Street Lighting LED Lanterns (PACE 5 Year programme)
- ❖ Fleet Replacement Programme (inc Zero Waste Strategy Fleet)
- ❖ Flood Prevention Measures: Flood Guards Grant Scheme
- ❖ Flood Prevention Measures: Bridge of Dee Court
- ❖ Flood Prevention Measures: Millside & Paddock Peterculter
- ❖ Flood Prevention Measures: Inchgarth Road
- ❖ Street Lighting

3.4 Enabling Technology

Digital technologies are transforming how we deliver public services, allowing communities to engage in different ways and providing more opportunities for businesses. A key to this is world class connectivity. Aberdeen is behind the best connected regions for most indicators. Through this plan we will address this shortfall. We will also exploit the use for data, stimulate innovation and ensure that our people have digital skills.

Each of Aberdeen's community planning partners will focus on delivering tangible improvement in these areas and the LOIP identifies primary and secondary drivers as well as improvement measures and targets.

National and Regional Legislative and Policy Context

Legislative and policy initiatives which impact on how these priorities are delivered include:-

- Commitment to 100% super-fast broadband
- New Digital Strategy

Council Contribution

The Council has a lead role in working with partners to make Aberdeen a city where citizens, businesses and communities are supported by world class digital infrastructure through implementing the commitments made in the LOIP. Our corporate priorities for 2017/18 are shown below.

Improvement Outcome 1 - *Digital Connectivity*

High speed, ubiquitous connectivity is at the heart of building a smart city and supporting communities. Ensuring that communities and businesses can access ultrafast fibre and world class wireless is critical to prosperity and protection in the city.

Aberdeen City Council Objectives	How We Will Measure Success
We will implement the Council's "Being Digital" strategy to support citizens, businesses and visitors connect easily from their homes or other locations	<ul style="list-style-type: none"> • % of households have superfast broadband. • % Businesses have access to ultrafast broadband. • Attract public and private sector investment in digital infrastructure • % of free Wifi across the city • % coverage of boosted 4G coverage and 5G capability across the city.

Improvement Outcome 2 - *Data*

Public sector partners need to improve data quality, apply standards for its collection, recording and storage, and implement the means to share data securely. We can then apply data science techniques so that we can understand complex inter-connectedness of service provision, predict demand and impact, and rationalise how we collaborate for outcomes, and develop policy, at a city regional level.

Aberdeen City Council Objectives	How We Will Measure Success
We will build common data standards across public sectors organisation	<ul style="list-style-type: none"> Secure internationally recognised standards accreditation
We will lead the provision of a secure shared data platform for use by all partners and businesses	<ul style="list-style-type: none"> Deliver a regional data platform
We will improve our capture, sharing and use of data	

Improvement Outcome 3 - *Digital Innovation*

Aberdeen will develop as a city which is known for excellence in digital innovation. This will build on existing skills and capacities, and will involve all actors in the city. This programme will have an ambitious span: from designing the urban environment to developing solutions to address the challenges of tele-medicine for an aging population.

Aberdeen City Council Objectives	How We Will Measure Success
We will link innovation in “tele-health” and “tele-care” to local economic development	<ul style="list-style-type: none"> % increase in citizens receiving care in the home.
We will participate in the development of a state of the art dashboard to provide community with information on assets, alerts, groups and networks	<ul style="list-style-type: none"> Dashboard fully operational
Aberdeen City Council’s “family group” will develop applications that can be used to help those most in need	<ul style="list-style-type: none"> Number of ACC community applications released each year

Improvement Outcome 4 - *Digital Skills and Education*

It is essential to the city’s future that our citizens, workforce and decision makers have the skills and confidence to exploit digital technologies, make intelligent decisions, and interact using modern tools and platforms.

Aberdeen City Council Objectives	How We Will Measure Success
We will provide appropriate training to ensure that Aberdeen City Council employees have the right skills to work in a modern business environment	<ul style="list-style-type: none"> % of ACC employees with a standards level of digital skills

Aberdeen City Council Objectives	How We Will Measure Success
We will develop opportunities with the Council for placement for students in ICT, Data science and related disciplines and encourage skills transfer	<ul style="list-style-type: none"> • % of school leavers and students who have high levels digital skills

Enabling Technology - Committed Capital Projects - (Draft 17/18 Budget)

- ❖ Accelerate Aberdeen (City Broadband)
- ❖ City Deal: Digital Infrastructure
- ❖ Technology Investment Requirements & Digital Strategy

4. SHAPING ABERDEEN - HOW WE DO BUSINESS

With challenging budgets for the public sector, much more emphasis is being placed on achieving more with fewer resources and in delivering outcomes not just outputs. The council now also operates under an additional regulatory framework, having been listed on the London Stock Exchange. These factors, coupled with a legislative and institutional landscape that is set to change dramatically over the next few years, demand that the organisation changes and adapts in order to deliver its strategic agenda and to meet the growing needs of its residents and communities. By **innovating** and **transforming** how it does business, the Council can make a real difference to the lives of citizens through increasingly **modern** services, even within this changing and more challenging environment.

We will continuously apply three principles which, together, show “How we do Business”. These are represented in the triangle opposite.



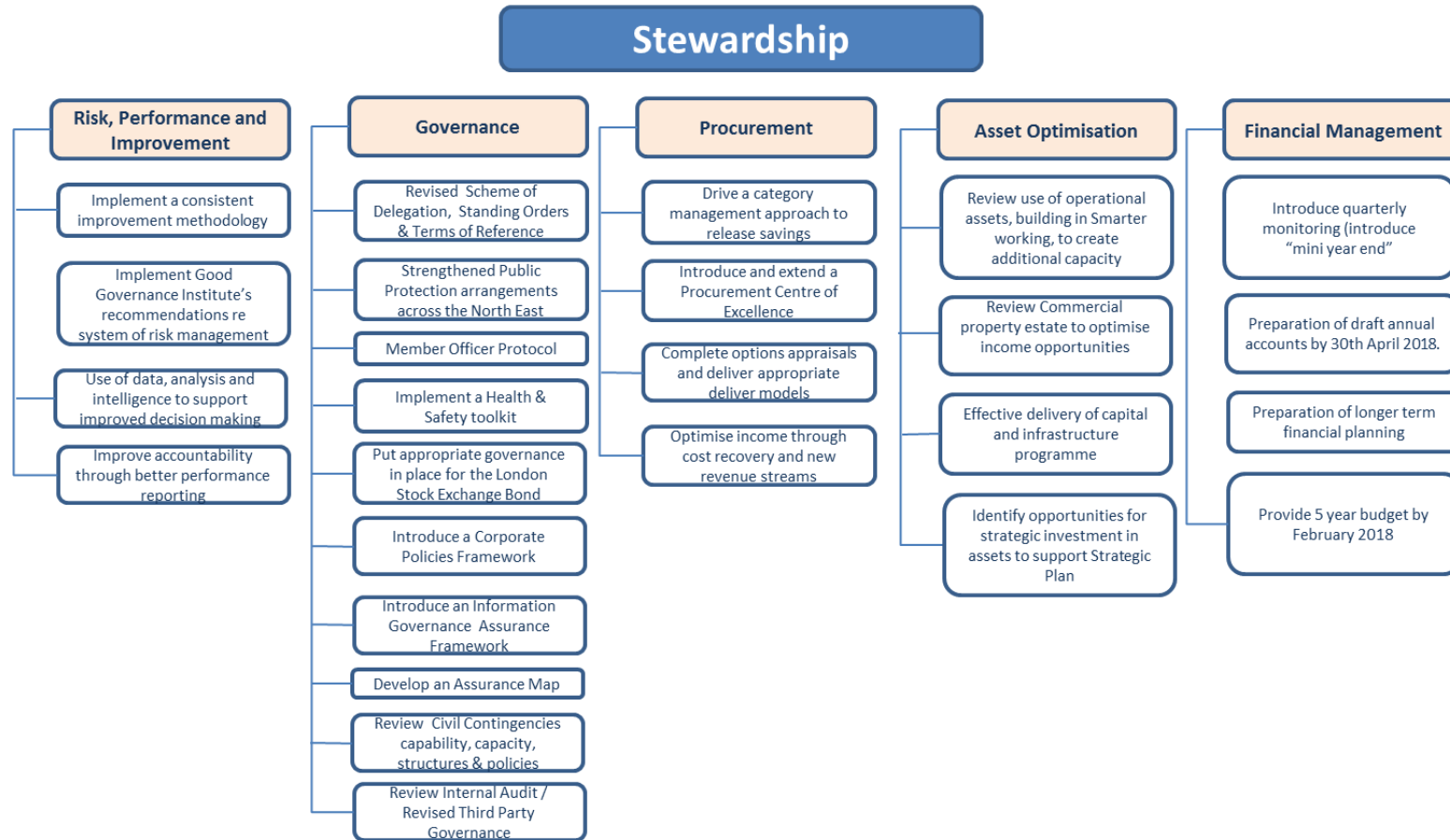
Our change journey has already begun, with many of our individual services adapting to meet either legislative or regulatory change, or increasing demand. It's also true that some of the changes underway are to ensure that the organisation is better governed and managed. It's fair to say that much of the change already underway within the organisation is really focused on making our existing functions, activities and processes either better, smaller, bigger or faster. Whilst important to be engaged in these activities, it could be argued that this is improvement of “business as usual” as distinct from real transformational change.

So in our change “road map” we need to make distinction between 3 tiers of change.

- Tier1 - Changes which contribute to better stewardship across the organisation - “Business as Usual”
- Tier 2 - Changes which secure improvement - “Business as Usual”
- Tier 3 - The “art of the possible” - Real Transformation

Tier 1 – Improving the Stewardship of Aberdeen City Council

During 2016/17 and continuing into 2017/18 we have, and will continue to, invest significant effort in improving the overarching internal governance framework operating across the Council and this has extended to a deep dive into the system of risk management and the performance management system. In addition, there has been a significant overhaul of the governance over the Council’s buying of goods and services as well as examining the governance arrangements in place over the Council’s assets.



1. Risk, Performance and Improvement

During 2016/17 the Council commissioned The Good Governance Institute to conduct an independent evaluation of our system of Risk Management and put in place an improvement plan; adopted a new Performance Management Framework; and developed a consistent methodology for improvement. The focus in 2017/18 will be on further strengthening our arrangements from these foundations.

Where we were...	Where we are...	Where we're going...
<ul style="list-style-type: none"> • Silo approach to planning, internally and externally • Non-SMART plans • Focus on activity rather than on improvement • Inconsistent performance reporting internally • Poor public performance reporting • Insufficient dynamic risk management 	<ul style="list-style-type: none"> • New Performance Management Framework approved • Corporate implementation of the Framework begun • “Golden Thread” strengthened through integrated planning • Improvement built in to plans • Consistent Improvement Methodology designed • Training on improvement delivered • External Review of system of risk and an improvement plan in place • Performance Review and development for staff further rolled out and aligned with strategic priorities • Commissioned development of an organisation wide assurance map 	<ul style="list-style-type: none"> • Improvement systematically delivered to deliver strategic priorities • Robust risk management system, with a well-defined risk appetite • Proportionate assurance from arms-length bodies • Robust scrutiny of performance at all planning and delivery levels (internal and external) • Staff performance appraisals undertaken in line with corporate expectations

2. Governance

The council adopts seven principles of good governance which guide our internal frameworks for governance and form the basis of how we undertake our annual governance review. These are principles agreed between the International Federation of Accountants (IFAC) and the Chartered Institute of Public Finance & Accounting, and will form the basis of our Local Code of Governance, to be renewed in March 2017. These provide a framework for comprehensive governance review and renewal, supported with a Governance Review Improvement Plan. The Framework explains that acting in the public interest requires compliance and good practice in each key area:

Where we were...	Where we are...	Where we're going...
<ul style="list-style-type: none"> • Outdated and lengthy constitutional documents • Low awareness of governance, risk of governance failure across the Council • Low clarity on Committee reporting procedures • Lack of understanding of member-officer roles and responsibilities • Extensive support to outside bodies and trusts and a lack of clear guidance to elected members on their appointments • Heavy scrutiny of arms-length organisations, "one size fits all" approach • Lack of co-ordination member development/induction • Compliance driven Internal Audit function 	<ul style="list-style-type: none"> • CIPFA supported assessment of governance and financial management • Good Governance Institute endorsed risk management Improvement Plan • Streamlining Trusts and reviewing appointments to Outside Bodies • Assessing options for arms-length assurance model • Implementing streamlined Committee reporting procedures and Plain English Standing Orders, reviewing Scheme of Governance (Officer Delegations and Committee Terms of Reference) • Member-Officer Relations Protocol nearing completion • Considering the implications of a Bond on our governance 	<ul style="list-style-type: none"> • CIPFA Mark of Excellence in Governance • Council endorsed Governance Review Improvement Plan • Risk appetite statement and robust risk management system • Proportionate assurance from arms-length bodies • Clarity on member-officer roles and responsibilities • Robust governance around Bond • Streamlined trusts and outside bodies and policy on appointments representing best value for the Council • Good governance embedded across all services and supported through Governance Training Programme • Annual review of Committee effectiveness

Elected members and officers are working together, and in partnership with CIPFA, to implement a Governance Review Improvement Plan. This will be a comprehensive and wide-ranging programme of work to ensure that robust governance arrangements are in place. These will be kept under continual review, thus providing assurance internally and to external sources that the organisation's systems, processes and procedures support strong governance and are well embedded in our culture and values. Over the next 12-18 months we will be working towards being awarded CIPFA's Mark of Excellence, demonstrating excellence against all seven IFAC/CIPFA governance principles.

3. Procurement

The Council has in excess of 1300 live contracts and actively works with a supply chain of almost 6K providers. Our spend with these suppliers is circa £280M pa. We are now in a formal collaborative partnership with Aberdeenshire and Highland Councils for strategic commissioning activities with a collective spend of almost £1BN pa.

This significant contract leverage allows us to influence markets more strategically whereby we can actively test and benchmark how our Services compare to other partners and the other sectors. This will enable a more commercial mindset when specifying our needs and will challenge the norm as to who is placed to deliver contracts to the end consumers.

Where we were...	Where we are...	Where we're going...
<ul style="list-style-type: none"> • Devolved and siloed approach to procurement • Fragmented advice and support focused on traditional exercise • Incomplete contract register • Gaps in governance compliance 	<ul style="list-style-type: none"> • Category management approach to service • Formal collaboration in a shared service with Aberdeenshire and Highland Councils • One stop shop for commercial expertise incorporating commercial hub, commercial solicitor, Programme Management Office • Full purchase to pay cycle • An integrated shared service for social care commissioning with Aberdeenshire council and the Integrated Joint Board 	<ul style="list-style-type: none"> • Recognised as a centre of excellence for commercial and procurement services across the Public sector in north Scotland

4. Asset Optimisation

The way we use our property assets in the future will not only enable change in the way we work, but will deliver a significant financial contribution and potentially leverage in further investment and economic development. Our capital and infrastructure programme over the next five years represents an investment of close to £1bn and we have already developed a robust governance framework around that programme to ensure effective delivery to time and budget. We will look at alternative delivery models, potentially working with public and private sector partners to secure the most effective means of delivering our assets strategy. Similarly, we will seek to consolidate, share and develop our assets across the whole of the public sector, delivering efficiencies, better service provision and an opportunity to align property assets more effectively to the wider place agenda.

Where we were...	Where we are...	Where we're going...
<ul style="list-style-type: none"> • Lack of overall asset management strategy • Fragmented approach to asset management • Capital programmes developed and delivered in isolation • Inconsistent programme management • Incomplete asset register with limited suitability data • Suboptimal approach to income generation from commercial estate • Limited cross public sector co-ordination of assets • Lack of housing development opportunities 	<ul style="list-style-type: none"> • Asset Management strategy in development • Full review of Capital and infrastructure programme undertaken with action plan in place • Robust programme management and governance of capital and infrastructure programme in place • Asset register complete, including detailed condition and suitability data • Review of opportunities for increased income from commercial property estate undertaken • Delivery of joint venture to deliver housing in the City on Council land 	<ul style="list-style-type: none"> • Review options for alternative delivery models across our asset base • Deliver c£1bn capital programme to time and budget • Increased sharing of public sector assets • Review opportunities for investment in strategic assets to support Community Plan • Optimise income opportunities from commercial property estate • Delivery of housing opportunities throughout the City


5. Financial Management

In its credit opinion report of 24th October 2016, Moody's Investors Service reported that Aberdeen City Council's "internal governance and scrutiny is strong, supported by recent assessments from the Accounts Commission." This assessment gives us confidence in our financial management, but we continue to plan and deliver continuous improvement.


Where we were...	Where we are...	Where we're going...
<ul style="list-style-type: none"> • Preparing for longer term financial planning • Segregated budget monitoring of accounts teams • Annual budget setting • Monthly reporting to committee • Draft annual accounts presented to Audit, Risk & Scrutiny Committee by 30th June • Audited annual accounts presented to Audit, Risk & Scrutiny Committee by 30th September 	<ul style="list-style-type: none"> • High level 35 year projections currently produced • Small scale integration of systems • Holistic annual financial position • Preparation for revised reporting • Preparations made for accelerated process • Preparations made for accelerated process 	<ul style="list-style-type: none"> • Monitoring of budgeting to have fully integrated long term financial planning • Fully integrated accounting team • 5 year balanced budget including setting of taxes, fees and charges • Quarterly reporting, including a mini year end process • Draft annual accounts presented to Audit, Risk & Scrutiny Committee by 30th April • Audited annual accounts presented to Audit, Risk & Scrutiny Committee by 30th September

Tier 2 – Performance Improvement


Tier 2 of our change improvement journey is performance improvement through change to our operating model. The Target Operating Model (TOM) will build on the strengths of initiatives already in-flight through our ongoing modernisation, and define how we do business in the future. The principles of the target operating model are:-



Consolidation...
Bringing together common activities to do them in a standard and simplified way




Outcomes driven...
Decision-making processes in which outcomes drive service decisions, with appropriate evidence and risk



Agility...
Shifting to fewer specialisms and larger resource pools to enable more flexible responding to demand




Business intelligence
Capturing data in more joined up ways to allow better resource decisions




Enabling others...
Customers and staff doing more themselves / in their communities with less direct professional advice until it is needed



“Intelligent Client”...
Mature, dialogue based relationship between the service and the customer – including with members



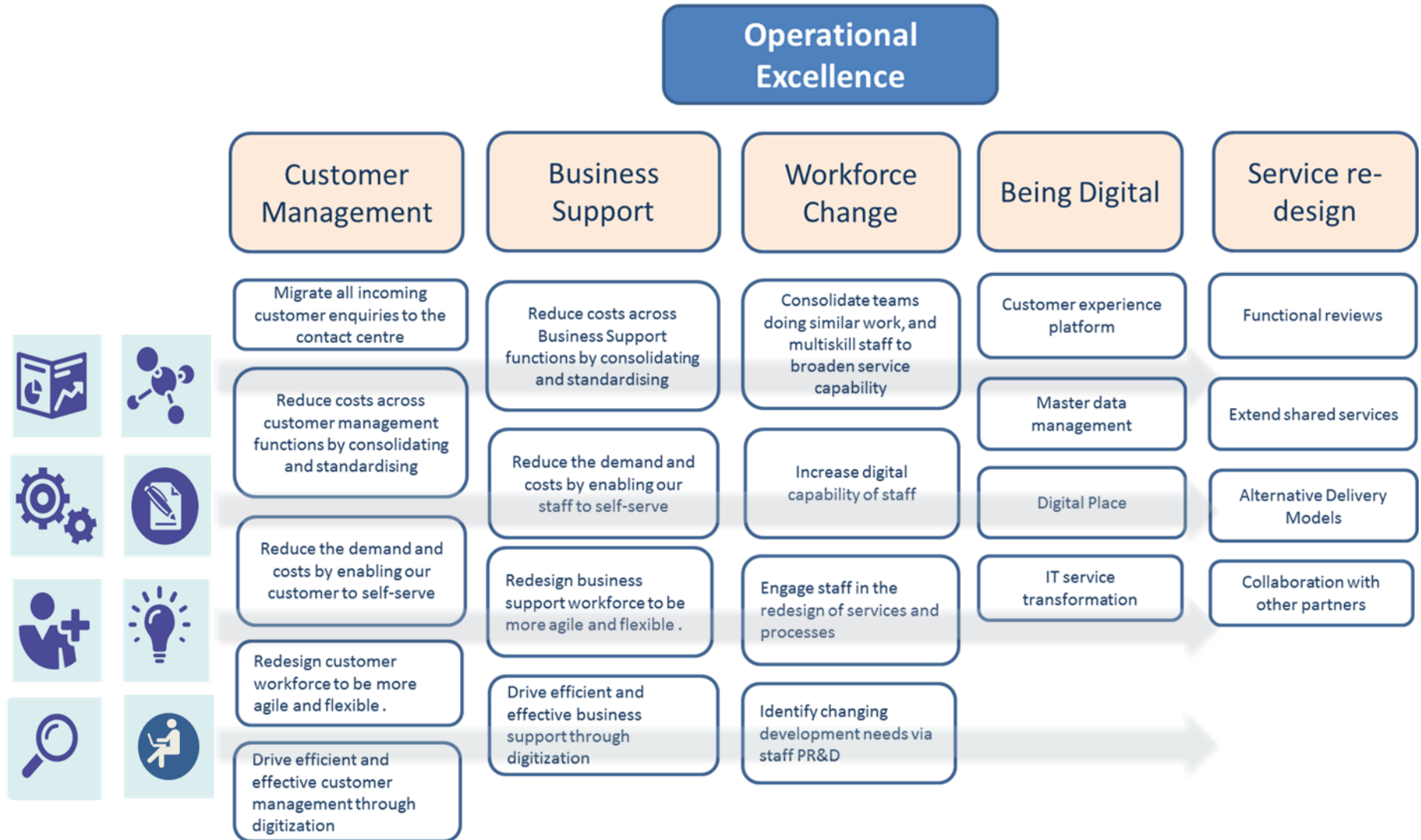
Service level selection...
Conscious choices about service levels and prioritisation of activity



Empowerment
Reduction in governance groups in favour of more personal ownership of decisions

The aggregation and simplification of common processes and functions, and increased self-service for staff and customers enabled through our digitisation programme, and a workforce plan to upskill and empower our workforce.

The work programmes planned for 2017/18 are shown below:



1) Customer Management

Consolidating our customer management activities across the whole organisation will improve the customer and staff experience as well as delivering significant efficiencies. This relates to management of both external and internal customers. Simultaneously, we will seek to reduce the need for customers to contact us in the first place, by using feedback and customer information to improve services, but also by enabling customers to self-serve through our digitisation programme.

Where we were...	Where we are...	Where we're going...
<ul style="list-style-type: none"> • Poor customer handling performance across customer service function • No customer service ethos or culture across the organisation, and only partially within customer service teams • Incoming customer contact very fragmented with multiple direct dial numbers and services picking up routine customer enquiries • Contact centre only receiving c30% of incoming calls to Council • Website with limited and sometimes outdated information, and poor transactional capability • Multiple internal customer helpdesks, doing similar work across a number of services • Contact centre teams relatively specialised around specific services 	<ul style="list-style-type: none"> • Call handling performance improvements achieved and resourcing issues addressed • Customer charter launched across whole organisation to set standards for customer service • Launched "Voice of the customer" programme to ensure customer feedback and intelligence is fed into developing service delivery and improvement plans • Business cases being developed for increased service migration into the contact centre • Website platform developed and content being populated • Key transactions in process of being mapped 	<ul style="list-style-type: none"> • Performance focussed upon customer experience and query resolution • All incoming customer contact routed via Contact Centre • Internal helpdesks consolidated to create internal customer management function • Reduced demand on internal helpdesks through increasing self service for staff • Multiskilled teams enabling more flexible resourcing across the customer management function • Reduced demand for direct customer contact through ability to transact and self-serve online • Explore provision of customer service for other public sector organisations • Re-design back office services to account for reduced workload, enabling them to focus on specialist service functions rather than customer management

2) Business Support

The recent activity analysis undertaken in conjunction with PwC identified a disproportionate amount of time and resource being spent on administrative and business support functions across the whole organisation. This work is very similar in nature, but provided in different ways, and without any consistency across the piece. Similarly, staff engaged in these activities have been frustrated by lack of consistent systems, processes and lack of development opportunities.

We will seek to consolidate, simplify and standardise much of this work, potentially bringing resources together, to drive improvements and consistency in service delivery, a better use of existing resources, whilst also improving the staff experience through potentially more varied workload and development opportunities.

Where we were...	Where we are...	Where we're going...
<ul style="list-style-type: none"> • Business support very fragmented and has evolved to meet individual service area needs • Despite Increasing digitisation the need for administrative/business support has not diminished • A culture that expects tailored and dedicated administrative support • Little consistency of processes, systems and capability across the piece • Limited development opportunities for staff in business support functions • Significantly higher resources allocated to business support than comparator authorities 	<ul style="list-style-type: none"> • Increasing digitisation enabling staff and managers to self serve should reduce demand for business support • Business cases in development for standardisation and consolidation of business support functions and processes across the council • Training and development of staff and managers being developed to facilitate different ways of working 	<ul style="list-style-type: none"> • Reduced demand for dedicated administrative resource through increased management self service • Reduced demand through increased staff self service • Consolidation of remaining business support function to better allocate the resources available and improve staff development and progression opportunities • Standardisation of remaining business support processes to ensure efficiency and better use of resources • Re-design back office services to account for reduced workload, enabling them to focus on specialist service functions • Proportion of time/resource spent on Business and administrative functions below the average for comparator authorities

3) Workforce Change

Some of the changes outlined above, along with increasing commercialisation and digitisation of our business, will inevitably reduce the volume of work in some areas, and demand a different skill set in others. An increasingly agile and flexible workforce, enabled through better technology, and engaged in the development of the business will be a key feature going forward.

Where we were...	Where we are...	Where we're going...
<ul style="list-style-type: none"> • Staff aligned to specific functions and often narrow remit with little development opportunity • Staff engagement has been poor with little involvement in the development of their service • Staff often frustrated by cumbersome processes and systems • PR&Ds not routinely conducted across the whole organisation, hindering staff development and engagement • Digital skills of staff inconsistent often constraining further service development 	<ul style="list-style-type: none"> • Staff engagement has increased from 21% in 2014 to 48% in 2016 on Employee Opinion Survey • Staff experience programme has identified development programmes for staff at all levels • PR&Ds more consistently conducted across the organisation, although still room for improvement • Staff enabled through more flexible working practices – Smarter working- and better IT • Improved Internal communications have provided greater access to information for staff and greater engagement and understanding of the council's business and strategy as a result 	<ul style="list-style-type: none"> • Multi-skilled and flexible workforce, enabled through IT, and able to adapt to a continually changing environment • PR&Ds routinely conducted for all staff, enabling better development planning • Staff engagement 100% in 2018

4) Being Digital

The digital world continues to transform the way we live our lives: the way we shop, socialise, travel and work. It has changed the way we look for information about public services, and altered our expectations about how we can engage, access and influence services. This has led to an exponential change in audience expectations. Technology is now transforming businesses and disrupting traditional ways of working.

We need a new approach to technology. The core strategy is to provide a digital platform that is focussed on our customers and staff and is driven by data. It will be based on an open architecture approach, enabled by good information and data management and anchored by a modern infrastructure.

The creation of the digital platform will require leadership and governance. We need to develop principles and adopt standards that bring consistency to the development of the digital platform, while at the same time allowing room for pragmatism.

Where we were...	Where we are...	Where we're going...
<ul style="list-style-type: none"> • 4% of Council services fully digital • 42% of staff satisfied with technology • £0 savings 	<ul style="list-style-type: none"> • 10% of Council services fully digital • 62% of staff satisfied with technology • £1m savings 	<ul style="list-style-type: none"> • 80% of Council services fully digital • 75% of staff satisfied with technology • £5m savings

5) Service Re-design

Increasing financial pressures and changing customer demand have also prompted the need for more fundamental reviews of how we deliver some services and functions. Similarly, successful case studies from elsewhere suggest that there may be alternative delivery models that may be appropriate and suitable for some of the council's services. We will look at a number of cross cutting functional areas, initially reviewing our current performance and cost model against comparable benchmarks. We will then conduct an options appraisal to identify whether there are better solutions available based upon customer service quality, cost and service resilience. In order to gain benefits of scale, some of these options may well involve some form of collaboration with either public or private sector partners.

Where we were...	Where we are...	Where we're going...
<ul style="list-style-type: none"> • Mainly traditional, direct delivered service models • Some Arms Length External Organisations delivering frontline services • Very few shared services with other councils or public sector partners • Little appetite for engagement or collaboration with the private sector 	<ul style="list-style-type: none"> • Shared Commercial and Procurement Service with Aberdeenshire now extended to include the Highland Council • ALEOs established and operating effectively across Sport and Culture, and Adult Social Care • Integrated Health and Social Care 	<ul style="list-style-type: none"> • Explore alternative delivery models for key functional areas, including Fleet services and transport, facilities management and stores • Identify opportunities to build on existing shared service arrangements • Identify key potential partners with experience of different delivery models elsewhere, from whom we can learn and potentially develop a collaborative relationship in the future

Tier 3 - Radical Transformation – The Art of the Possible

Tier 3 demands that we think the unthinkable to deliver radical transformation, in particular, in the Council's relationship with citizens; in our use of data and technology; and, fundamentally, in the attitudes, values, beliefs and behaviours of the organisation and its workforce. But the unthinkable must support the type of council we imagined ourselves becoming.

Imagine Aberdeen City Council as a Council

- *that is focused on preventing harm to the place, economy and people rather than treating the harm.*
- *that nurtures, supports and enables its citizens and customers rather than a council that breeds dependency on it.*
- *that uses technology to deliver services instead of simply using it to digitize our customer and staff transactions with the council.*
- *that wants a relationship with its customers based on understanding and anticipating needs and supporting customers to meet those needs not necessarily through the council, rather than a transactional relationship.*
- *that is outward looking and plays a lead role in regional and city place planning.*
- *that encourages communities to take control and devolves decision making rather than a council that keeps control.*

To become the council captured in the “Imagining Statements” will require radical thinking. New ideas will emerge and evolve all the time. As an illustration some of the examples being explored now include:-

- **Internet of Everything** - people and things are connected digitally through sensors and smart devices;
- **Automation** - people, processes and things are automated and are intelligent. Transactional services will no longer exist as they are dealt with automatically.
- **Data** - Data drives our decisions now and into the future through analytics. The council will be smaller, smarter and a data custodian. There will be no concept of the office; Virtual classrooms and virtual offices; Data is the key asset not buildings.
- **Platforms** - Communities, and businesses, have real time data and platforms where communities can collaborate, source and decide themselves.
- **Economy** - New economic models such the shared and circular economies that fundamentally change how we consume products and services.

All these together will transform how our citizens and communities interact with each other and with the Council and will drive a self-sufficient culture and empower communities to make their own decisions. As we sit here in 2017 these might seem unimaginable, but remember just 25 years ago the internet, e-mail and mobile phones were unimaginable.

RADICAL TRANSFORMATION - THE “ART OF POSSIBLE”



IMAGINE THE FUTURE COUNCIL

Creating the Culture for Change and Innovation

As this Plan makes clear, the Council is confident in its plans for improving stewardship (Tier 1 change) and delivering performance improvement (Tier 2 change). But we are, naturally, less confident in the future, which will always be uncertain. However, we must be ready, willing and able to engage with the “Art of the Possible”.

So if we agree the “Art of the Possible” is something we should strive for, we need to know how we’ll get there and to be able to get there.

We must become ever more **innovative**, looking for better and new ways to serve our customers. This will demand different ways of thinking. We must learn from best practice and be willing to take risks.

The “Art of the Possible” will only become a reality if we create the right environment and culture where innovation is continuously driven through people.

The most recent Employee Opinion Survey highlighted some positive signs, which gives us confidence that staff are becoming more engaged and the prevailing culture more supportive of change, but there are also areas where a significant shift is needed to release the dynamic innovation required to see and grasp the “Art of the Possible”. These areas included the level to which staff feel trust to “get on and do a good job” – which is fundamental to having empowered, engaged and innovative workforce.

More details of the plans to change how we behave are given in the following section.

5. SHAPING ABERDEEN - HOW WE BEHAVE AS AN ORGANISATION

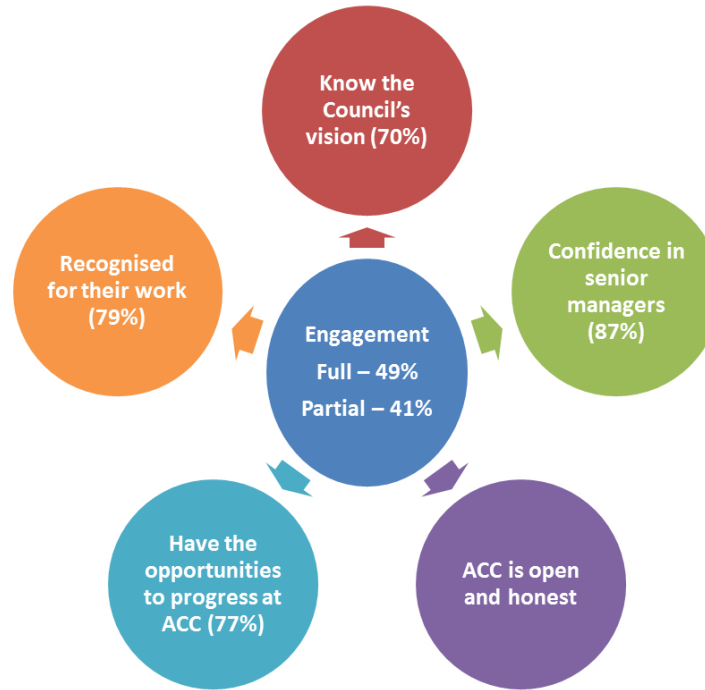
Our culture is about how we behave in pursuit of our purpose. It's about our attitudes, values, beliefs and behaviours. The culture triangle (below) shows focus on customer and staff supported by good use of resources – known as the triple aim. At all times we need to ensure that these 3 aims are in balance:



It is widely understood that organisational culture is a far more significant determinant of success than structures and processes. A supportive culture will be a crucial enabler of the radical transformation of the Council. Key to the positive culture which influences attitudes, values, beliefs and behaviours will be effective employee engagement. It is undeniable the positive impact an engaged workforce can have on organisational success.

How any workforce feels about their place of work will materially affect the performance of that organisation and engagement with staff will be built into the Council's programmes of change and transformation. The Council's recent Employee Opinion Survey showed an increasing percentage of staff feel engaged or partially engaged, but more is required and further actions are described below.

The Survey also revealed the inter relationship between engagement and a number of other factors, with engagement being driven up or down depending on the experiences that staff have in the workplace. For example, as high as 87% of staff who have confidence in Senior Managers are defined as engaged, as are 81% of staff who feel that ACC is open and honest. We will focus on improving these factors to improve the levels of engagement.



Our Organisational Culture Journey

Customer Experience

Our ambition is to deliver a future where customers of Aberdeen City Council can access information and services quickly and easily, where and when they want, however they choose, and in a manner that suits their needs. We will work to make all service provision consistent, co-ordinated, proactive and accountable where a 'first time fix' has become the norm. Our staff will be increasingly highly trained and able to identify if customers need extra help or advice and will always help to resolve complex enquiries and take personal responsibility for them. We intend that our Customer Service is recognised as a high performing delivery unit within the industry and is recognised as the symbol for 'quality, performance and engagement'.

Objectives	2017/18 Activity
<ul style="list-style-type: none"> To achieve an embedded customer service culture which will drive how we deliver both public facing and internal services 	<ul style="list-style-type: none"> Deliver on the 'Being the Best' vision and develop a corporate customer management centre Positively influence the knowledge, skills and behaviour of all staff to improve customer experience Launch the Customer Service Charter and Standards to the public of ACC
<ul style="list-style-type: none"> To engage with customers to allow us to develop joined up from their 'voice' and use insight to make business decisions 	<ul style="list-style-type: none"> Strengthen the Customer feedback team by developing a true 'Voice of the Customer' focus which allows for insight and richer analysis Develop improvement plans across all services which demonstrate how these have been informed by customer feedback including avoidable contact
<ul style="list-style-type: none"> To improve the way we interact with our customers by making it easier and quicker for them to get the services they need and want and to meet increasing expectations to access council services digitally 	<ul style="list-style-type: none"> Implement our 'Customer Experience Platform' and enhance our digital capabilities

Staff Experience

We recognise the importance of an engaged workforce and the impact of engagement on productivity, commitment and innovation and so we base our internal culture on the 4 pillars of engagement. 1) Strong leadership – a clear direction where everyone understands the Shaping Aberdeen vision, knows how they contribute to it and has the capability to deliver their contribution; 2) managers who understand the importance of engagement and who know how to engage their teams; 3) means by which employees have a voice – where they're informed, consulted with and given the opportunity to have their say; and 4) integrity – where we can demonstrate that what we say we value is what people experience on a daily basis.

As a measure of engagement we carry out a biennial Employee Opinion Survey. The 2016 Survey indicates an upward trajectory in engagement with a response rate rising from 21% (2014) to 48% (2016) and an engagement score rising from 42% (2014) to 49% (2016). Of the 41 comparable questions between the 2014 and 2016 surveys, the % of positive responses had increased in 32 questions, remained the same for 7 and deteriorated in only 2 areas. In addition, in terms of benchmarking with external comparator organisations, the council scores significantly higher on 12 measures including levels of morale within teams, opportunities to progress, access to training and development opportunities and senior managers' responsiveness.

These are all positive moves in the right direction, at the same time we recognise that there is still significant work to be done to maintain and increase levels of engagement, particularly in light of the financial challenges the council is facing.

2017/18 Objectives	2017/18 Activity
<ul style="list-style-type: none"> Strengthen leadership by improving clarity of vision, expectation and accountability 	<ul style="list-style-type: none"> Continue the roll out of the Shaping Aberdeen vision – focusing specifically on hard to reach groups and on introducing a quarterly newsletter to update employees on key activities in the areas of purpose, culture and how we do business Introduce a management/ leadership capability framework Embed accountability for culture through the inclusion of core objectives and managers' engagement scores as part of their PR&D Introduce a mechanism for identifying core policies applicable to roles and for providing assurance that employees understand the key messages within those policies
<ul style="list-style-type: none"> Improve levels of trust and empowerment by increasing managers' skills and confidence in managing in an engaging way 	<ul style="list-style-type: none"> Further develop the behavioural framework for managers and employees to help shape the culture of the council Ensure our ongoing development programmes support the behavioural and capability frameworks Continue to review and develop the council's PR&D system specifically in terms of the soft skills required to motivate performance and facilitate development

<ul style="list-style-type: none"> • Demonstrate we are listening to the voice of employees 	<ul style="list-style-type: none"> – Review the outcomes of the 2016 Employee Opinion Survey and involve staff in appropriate action to address any issues; implement actions arising and report these to staff on a regular basis using ‘you said, we did’ format – Continue to develop the Ideas Hub and other means for employees to input their ideas and suggestions – Explore the extension of volunteering opportunities to involve and develop staff – Develop opportunities for staff to progress within the council through good workforce planning
<ul style="list-style-type: none"> • Increase levels of trust by demonstrating integrity in what we say we value and what we do in practice 	<ul style="list-style-type: none"> – Complete the review of how we attract, recruit and promote staff to ensure this is in line with cultural fit as well as technical skills – Further develop how we induct new employees to reinforce our behaviours, values and expectations, with a specific focus on customer service – Continue to develop the Aspire programme to identify future leaders who share our values and aspirations and who demonstrate the qualities we seek – Review our policies to ensure they are fit for purpose and support our culture – Implement the Member-Officer protocol to ensure constructive relationships between political and operational groups

Best Use of Resources

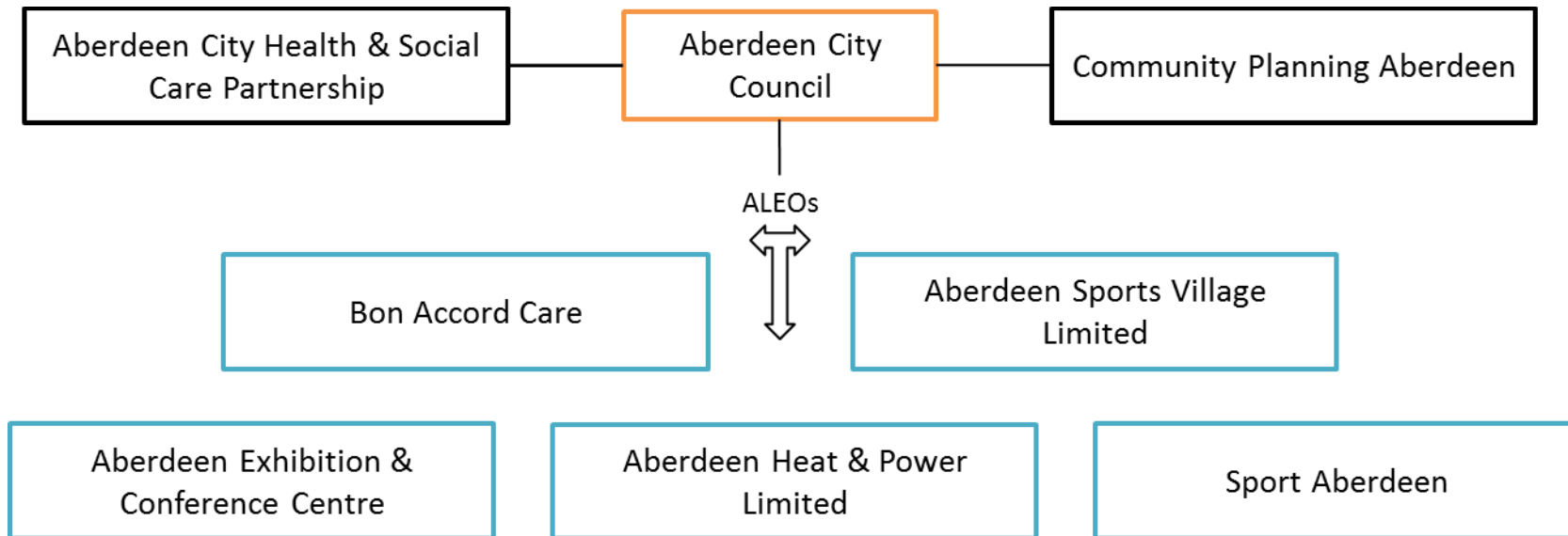
With challenging budgets for the public sector, we need to achieve more with fewer resources and focus on delivering outcomes not just outputs. Despite budget constraints councils are still expected to meet the growing needs of their residents and their communities. Through modernising and innovating the council can make best use of the resources available and make a real difference to the lives of customers and communities. Our aim is to create a strong culture which consistently focuses on positive outcomes for our customers, both now and in the future. Our culture will promote working together with our colleagues, our partners and service users, to bring a joined-up approach to local services that deliver more for less, including cross public, private and voluntary sector working. We will demonstrate sound governance whilst becoming increasingly innovative and imaginative, including through attracting funding and resources from different source to the benefit of the City.

Objectives	2017/18 Activity
We will improve ownership and accountability for our business	<ul style="list-style-type: none"> • We will introduce a comprehensive financial competency framework • We will run more Use of Resources Training increasing financial literacy and business ability • We will fully implement London Stock Exchange requirements for financial governance • We will increase awareness of value for money and social responsibility
We will make the running of our business more efficient	<ul style="list-style-type: none"> • We will further improve our capacity and skills in the delivery of major projects • We will ensure a required reduction in overall staffing levels is managed effectively and sensitively, providing support through workforce planning to reskill staff where possible • We will implement the findings of the financial management review • We will achieve faster financial closedown and make further process improvements • We will strengthen the work of a 'Business Task Force' using business partners from across Corporate Governance
We will make good business decisions	<ul style="list-style-type: none"> • We will review our decision making on capital investments based on full benefits realisation • We will strengthen accountability, ownership and data use in the budget process • We will revisit the approach to outcome budgeting to support improved prioritisation <p>We will continue to improve the use of data in decision making</p>
We will connect our business	<ul style="list-style-type: none"> • We will continue to explore shared services with other organisations • We will continue to make connections with other organisations through national bodies • We will grow networking opportunities for individuals and teams of staff • We will develop cross organisational programmes of work
We will strengthen the future of our business	<ul style="list-style-type: none"> • We will respond to the impact of change on our business • We will strengthen succession planning for key roles • We will develop the approach to Medium and Long-Term planning

	<ul style="list-style-type: none"> • We will strengthen the approach to environmental sustainability
We will grow our business	<ul style="list-style-type: none"> • We will grow our opportunities to generate investment income • We will strengthen our commercial strategy • We will develop our knowledge of the markets in which we operate
We will increase the impact of our business in the community	<ul style="list-style-type: none"> • We will work towards the devolution of 1% of the Council's budget to community controlled participatory budgeting • We will strengthen relationships with Arms-Length External Organisations and third parties • We will scope more projects to use our resources to better effect to drive community empowerment.

6. Delivery Through our Commissioning Intentions

Aberdeen City Council operates in a complex environment, where both planning and delivery are undertaken through a variety of different statutory and elective models. These include the Council’s key role as a partner of Community Planning Aberdeen; its relationship with Aberdeen City Health & Social Care Partnership, which is responsible for the integration of the City’s adult health and social care services; and the delivery of certain services through wholly owned, or part-owned Arm’s Length External Organisations (ALEOs). This current “structure” is reflected below.



As outlined throughout this report, in particular in section 4 above “Shaping Aberdeen: How We Do Business”, the Council is committed to a programme of transformation, through which the delivery models for public services will be examined in the light of a renewed approach to commercialisation; our ambition to increase the role and stake which communities have within the planning and delivery of services; and the opportunities afforded by a modern approach to workforce and digitalization.

A creative approach to commissioning will support this transformation. The Council currently has in excess of 1,300 live contracts, (with a supply chain over 6,000 providers), which support and improve the delivery of all of our services. Our supplier spend is c.£280M pa. and we are now in a collaborative partnership with Aberdeenshire and Highland Councils to maximise a combined buying leverage of almost £1B pa. Almost half of that spend is commissioned with the same c1,000 suppliers for the same good and services. We are therefore in a strong position to influence marketplaces through innovate commissioning models.

Commissioning also provides visibility of our strategic needs and is invaluable as a source of business intelligence to act as a trigger point to constructively challenge:

- Our services and how they are currently delivered
- Service performance, cost and perception
- Future demand and horizon scanning
- Opportunities for change

As shown above, we have a number of working ALEOs, but a creative approach to commissioning extends the possibilities much more broadly to include other options and enhance the current provision. Such options for delivery could include:

1. In-house services – running these better and more efficiently, learning from where this has been demonstrated in the Council already and with a ‘Lean’ approach currently being tested;
2. In-sourcing of services currently contracted out;
3. Shared services – both provided by us and provided for us;
4. Outsourced services – including an interest in different approaches to commissioning (by outcomes, by payment by results, by measuring social value) to encourage preventative services and demand reduction;
5. Services delivered in partnership and integrated services;
6. Arms-Length External Organisations and Trading Operations to enable more commercial practice and sustainability of service;
7. Community-run services;
8. Opportunities for new place-based approaches with partners arising from the new local Community Partnerships;
9. Stopping services (with the framework from the Accounts Commission recommended for use alongside impact assessment); and
10. Commercial opportunities.

7. Resources Needed (Revenue and Capital) (The below is indicative at this stage and subject to Council setting a 2017/18 budget)

In 2016/17, Aberdeen City Council became the first local authority in Scotland to be awarded a credit rating. In its credit opinion report of 24th October 2016, Moody's Investors Service reported that Aberdeen City Council's "internal governance and scrutiny is strong, supported by recent assessments from the Accounts Commission."

The financial model prepared as part of the bond issue included a long term, 35-year financial assessment. This assessment shows the impact of potential movements in funding and expenditure. The significance of this analysis is to ensure that the Council has appropriate strategic plans in place to continue to deliver services to its customers.

This position of strength will allow the Council to meet the growing needs of the city's residents and communities, with confidence, even against the background of cost pressures and reductions in funding.

The Council's budget 2017/18 budget includes a 5 year programme of capital investment to supports the prosperity of the city's economy, people and the place.

i. General Fund Revenue Budget Indicative 5 Year Budget

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Gross Service Spend (including Ring Fenced Monies)	653,187	666,339	681,091	695,145	706,571	718,046
Funding (including Fees and Charges, Council Tax, Non Domestic Rates and General Revenue Grant)	(653,187)	(649,095)	(643,708)	(639,444)	(635,534)	(631,972)
Projected Deficit	0	17,244	37,383	55,701	71,037	86,074
Service Options Identified		(31,899)	(40,363)	(46,100)	(49,285)	(52,520)
Potential position if all service options taken		(14,655)	(2,980)	9,601	21,752	33,554

ii. Non Housing Capital Programme Indicative 5 Year Budget

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Projected Spend	191,083	239,518	214,429	139,213	76,458	37,555
Funding (Project Funding Streams, Capital Receipts, Capital Grant and Other Financing.)	191,083	(239,518)	(214,429)	(139,213)	(76,458)	(37,555)

iii. Housing Revenue Account Indicative 5 Year Budget

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Projected Spend		88,227	90,749	93,348	96,023	98,780
Funding		(88,727)	(91,249)	(93,848)	(96,523)	(99,280)
Projected Surplus		(500)	(500)	(500)	(500)	(500)

Workforce

Our ability to deliver on our strategic aspirations and ambitions for the city will, to a large extent, be determined by the fitness for purpose of our workforce. In this regard we believe that our future workforce will require to be smaller, more highly trained, more engaged and more flexible. Succession planning within the organisation will become more structured in order to provide a continuous supply of highly able and motivated individuals who have been developed in line with our key strategic and operational objectives e.g. ensuring that levels of digital competency and commercial awareness are sufficient for our purposes.

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ABERDEEN CITY COUNCIL

COMMITTEE	COUNCIL
DATE	22 February 2017
INTERIM DIRECTOR	Richard Ellis, Depute Chief Executive and Director of Corporate Governance
TITLE OF REPORT	General Fund Revenue Budget 2017/18 to 2021/22 and Non-Housing Capital Programme 2017/18 to 2021/22
REPORT NUMBER	CG/17/015
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Council with details of the Non-Housing Capital Programme 2017/18 to 2021/22 and how it impacts on the Council's balance sheet, along with a high level summary of the Council's revenue budget for the next 5 years and a detailed revenue budget for 2017/18.
- 1.2 These budgets are based on the current settlement information from the Scottish Government (Finance Circular 9/2016 version 2) and is therefore subject to change should an updated settlement position be announced.
- 1.3 This report also contains details of the Council's Long Term Financial Plan.
- 1.4 This report should be read in conjunction with the Council's strategic plan.

2. RECOMMENDATION(S)

2.1 It is recommended that Council:

- a) Notes that the presentation of this year's budget report is fundamentally different from previous years and that this reflects the change in financial reporting to Council as a result of London Stock Exchange listing. A specific requirement of this is that all expenditure figures must be shown as gross.

Balance Sheet Recommendations

- b) Notes the projected balance sheet position including the reserves as at 31st March 2017;
- c) Approves the Non-Housing Capital programme as attached at Appendix 1, and by doing so notes that the Council will be maintaining the level of debt over the next 5 years as advised to Moody's the credit rating agency;
- d) Considers the items in Paragraph 5.20 which are not currently included in the capital budget;
- e) Approves the Prudential Indicators as attached at Appendix 2 to this report, and by so doing notes that the indicators should convey confidence to the investors in the Council's Bond of our ability to repay the debt due; and
- f) Approves the recommended use of reserves for 2017/18 as attached at Appendix 3 which specifically includes a Risk Fund and non-earmarked reserves.

Revenue Budget Recommendations

Long Term and Medium Term

- g) Notes the draft financial position for 2018/19 to 2021/22 as shown in paragraph 5.35;
- h) Notes the Medium Term and Long-Term Financial Plans as shown in Appendix 4; and
- i) Approves the creation of a 'Change Fund' reserve of £8 million, as described in paragraph 5.41.

Short Term

- j) Sets a balanced revenue budget for 2017/18, by selecting service options contained in Appendix 6;
- k) Agrees to the conditions of the Local Government Finance Settlement for 2017/18 in so far as it is within its legal powers to do so (further details are given in Section 3 of this report);
- l) Approves the level of funding for 2017/18 in relation to the Integration Joint Board (IJB), and notes that it will be for the IJB itself to determine which savings options to take from Appendix 7;
- m) Approves the IJB Budget protocol proposed by the Chief Executive as shown at Appendix 8 and notes that it will also have to be approved by NHS Grampian and the IJB;
- n) Approves the setting aside of the underspend in 2016/17 for procurement of services to support the change plans set out in the strategic plan, and severance payments;
- o) Considers the items in Paragraph 5.67 which are not currently included in the revenue budget; and
- p) Instructs the Director of Education and Children's Services to provide a further report to the Education and Children's Services Committee, setting out plans for how the ring fenced monies allocated to Council under the Attainment Fund will be utilised, and provide assurance that recurring commitments are not being made. Report also to include plans for the use of the Council's allocation of additional capital and revenue funding for the expansion of early learning and childcare, once the allocation has been received from Scottish Government.

Taxation

- q) Notes the changes made to the multipliers of bands E through to H within the council tax;
- r) Instructs officers whether Council is exercising the flexibility to increase council tax under the local government finance circular; and
- s) Considers the introduction of a local Non-Domestic Rates relief scheme as discussed in Paragraph 5.54, and if a decision is taken to introduce a scheme, delegates the finalisation of the scheme to the Chief Executive, in conjunction with group leaders.

3. FINANCIAL IMPLICATIONS

- 3.1 The Scottish Government's Local Government Finance Settlement (Circular 9/2016 version 2) provides Local Authorities with details of their revenue and capital funding for 2017/18 only.
- 3.2 The revenue settlement details for the Council show a reduction in General Revenue Grant of £2.9 million from the 2017/18 figure. The value of the Non-Domestic Rates (NDR) received from the Scottish Government is also reduced by £14.66 million bringing the total reduction in funding from the Scottish Government to just over £17.5 million.
- 3.3 Further amendments to Local Government Funding were made through the Parliamentary Budget Process, which allocated the Council a further £4.5 million, so the total reduction from Scottish Government is £13 million.
- 3.4 In terms of council tax income, the changes made to the multipliers of Bands E through to H via the Council Tax (Substitution of Proportion) (Scotland) Order 2016/368 will allow for an additional income of £5.9m to be retained by Aberdeen City Council. An increase in council tax income of £1.2 million, due to additional properties coming on to the charge, has also been allowed for, along with an anticipated reduction in income from planning fees of £850k, bringing the net reduction in overall (non ring-fenced) funding to £6.8 million.
- 3.5 The Scottish Government has also provided an additional £2.725 million in ring fenced funding, for the Attainment Scotland Fund. This brings the total level of ring fenced grant funding, including that for Criminal Justice and Gaelic Education, to £6.748m. However this funding requires additional levels of spend and so does not impact on the Council's overall net budgeted position.
- 3.6 The capital grant settlement details included in the Circular allocate the Council a grant of £25.1 million, including ring fenced funding for 'Cycling, Walking & Safer Streets' of £0.316 million. An additional £1.08 million was allocated to the Council in the Parliamentary Budget process, bringing the total capital grant to £26.18 million.
- 3.7 In addition to the funding contained in the Circular it should be noted that additional funding for the expansion of early learning and childcare to 1140 hours is contained within the Education and Skills portfolio of the Scottish Government. This comprises around £30 million of revenue funding which will principally support workforce development and capacity building, and a further £30 million capital allocation to support the first phase of infrastructure investment. Scottish Government is still in dialogue with local authorities and Cosla over the distribution method for this funding.

4. OTHER IMPLICATIONS

- 4.1 This budget report is presented to Council along with the Strategic Business Plan for 2017/18, which is fully aligned to Aberdeen City's Community Planning Partnership's Local Outcome Improvement Plan (LOIP). The commitments proposed within the Strategic Business Plan have been made in the context of the Council's current and anticipated financial position. The savings options outlined within this report have been brought forward following consideration of their impact on the delivery of the Strategic Business Plan.
- 4.2 The Council is required to set its council tax levels before the 11th March in the financial year preceding that for which it is set as governed by the Local Government Finance Act 1992.
- 4.3 This means that projected expenditure needs to be matched by income. In the absence of a balanced budget the legislation requires that council tax will make up the difference. It would not be lawful for the Council to pass a motion that prevented, delayed or frustrated compliance with these obligations.
- 4.4 The Community Empowerment (Scotland) Act 2015 provides for a new power for councils to create and fund their own localised business rates relief schemes, in addition to existing national rates relief, to better reflect local needs and support communities. This is detailed further within the report. Before exercising the power to introduce a scheme, the local authority, acting as the rating authority, must have regard to its income and expenditure and the interests of persons liable to pay council tax as set by it.

5. BACKGROUND/MAIN ISSUES

Credit Rating

- 5.1 In 2016/17, Aberdeen City Council became the first local authority in Scotland to be awarded a credit rating.
- 5.2 The credit rating allowed the Council to secure funding towards the Capital programme, by issuing bonds of £370 million in value.

- 5.3 The credit rating will be required to be maintained during the term of the bond. In order to maintain the rating, the appointed credit rating agency will be required to conduct reviews at least once every twelve months.

This review will assess the Council's ability to meet its debt repayment commitments and is assessed by understanding the factors that generate and restrict the future cash flow of the Council. Officers will be required to monitor this analysis regularly and will form part of the new financial statements to committee going forward.

The Council, in obtaining its credit rating supplied the following information in relation to its underlying borrowing requirement and Council must adhere to the level advised to ensure no impact on its credit rating. Should the Council wish to deviate from this position it is essential that the credit rating agency is notified to have a reassessment of the rating. Any increase in this position would put the credit assessment at risk of being downgraded.

Represented by and Funded through:	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Underlying Financing Requirement B/F	125,316	(24,544)	111,204	59,692	32,645
Bond	(370,000)	0	0	0	0
Alternative Funding (PWLB etc)	0	0	(111,204)	(59,692)	(32,645)
Net Position Funded Annually	(244,684)	(24,544)	0	0	0

- 5.4 The Council will be expected to continue to strengthen its financial management arrangements and position as they are an important feature of the annual credit reassessment. In addition, the Council will also need to present some of its existing financial information in different ways in light of the new interest from the credit rating agency and the bond investors. This annual budget report represents the start of a different presentation and emphasis on financial information.

- 5.5 One of the key aspects of the credit rating is the Council's level of debt and ability to meet future interest payments as they fall due. The level of debt is directly linked to the Council's capital investment programme which is reflected through the Balance Sheet and future interest payments are directly linked to the revenue account. Our legal framework requires that the repayment of interest payments has the first call on the revenue income of the Council before all other expenditure.

5.6 Balance Sheet Position

The Balance Sheet shows all the Council's assets and liabilities as projected at 31st March 2017, excluding any potential revaluations of its Fixed Assets and movement thereon.

It further provides information on the level of reserves and balances held by the Council also at 31st March 2017 as currently projected.

The Balance Sheet below shows the expected increase in the Council's reserve position during 2016/17, in part due to the expected surplus situation as shown below in Appendix 4.

The significant increase in the cash position is due to funds being released via the Bond, which is also reflected in the increase in borrowings.

Balance Sheet		Forecast Balance Sheet	
31-Mar-16		31-Mar-17	Note
£000		£000	
	<i>Non-current assets</i>		
2,139,615	Property, plant and equipment (incl. WIP)	2,280,537	
172,092	Heritage assets	172,092	
85,937	Investment property	85,937	
31	Intangible assets	31	
19,061	Long-term investments	19,061	
19,577	Trade and other receivables	17,531	
2,436,313	Total non-current assets	2,575,189	1
	<i>Current assets</i>		
28,375	Cash, cash equivalents and short-term investments	354,359	
91,199	Trade and other receivables	70,626	
1,674	Inventory	1,674	
3,979	Assets held for sale	5,429	
125,227	Total current assets	432,088	2
2,561,540	Total assets	3,007,277	
	<i>Current liabilities</i>		
(87,672)	Trade and other payables	(87,646)	
(113,348)	Borrowings - general	(19,618)	
(3,870)	Provisions	(3,870)	
(2,478)	PPP liabilities	(2,611)	
(5,618)	Accumulated absences account	(5,618)	
(521)	Grant receipts in advance - revenue	(1,000)	
(2,221)	Grant receipts in advance - capital	(1,000)	
(215,728)	Total current liabilities	(121,363)	
	<i>Non-current liabilities</i>		
(223)	Trade and other payables	(223)	
(464,892)	Borrowings	(980,445)	
(1,248)	Provisions	(1,249)	
(103,584)	PPP liabilities	(113,972)	
(251,118)	Pension liabilities	(243,990)	
(821,065)	Total non-current liabilities	(1,339,879)	
(1,036,793)	Total liabilities	(1,461,242)	3
1,524,747	Net assets	1,546,035	
	<i>Reserves and Retained profit</i>		
58,856	General Fund	47,939	4
10,808	Housing Revenue Account	9,870	4
30,102	Statutory and other reserves	30,102	4
	Capital receipts reserve	-	
97	Capital grants unapplied account	97	
	Retained profits	59,616	
1,424,884	Unusable reserves	1,398,411	
1,524,747	Total reserves and retained profits	1,546,035	

Commentary on Balance Sheet

Note 1: Non-Current Assets (Non-Housing Capital Programme)

- 5.7 The total estimated value of assets at 31 March 2017 (subject to revaluation) is £2.5 billion. As such the Council must invest in these assets to ensure that they meet the Council's Strategic Infrastructure Plan and that assets are suitable for the delivery of services. Asset optimisation is a key element of the Council's transformation programme as described in the Strategic Business Plan. As well as investing in the current infrastructure estate there is also a need to acquire new assets. This is set through the Council's Non-Housing Capital Programme.
- 5.8 In determining the level of capital investment it is critically important that the Council understand that additional borrowing over and above that already approved by Council and the credit rating agency, could lead to a detrimental movement in the Council's credit rating. The Head of Finance has indicated that any such proposal should first be tested with the relevant credit rating agency prior to any firm commitment to increasing debt levels beyond those levels presented to the credit rating agency.
- 5.9 Finance Circular 9/2016 version 2 also allocates the Council's Capital Grant Funding for 2017/18. The total level of capital grant funding for 2017/18, including the additional amount allocated by the Scottish Government on 2nd February 2017, is £26.18 million. Please note that this sum includes a ring-fenced grant of £0.316 million.
- 5.10 In setting the General Fund budget it is assumed that a gross funding envelope of approximately £707 million will be provided for capital investment over the life of the 5 Year Business Plan, as shown in Appendix 1. It can be seen from the table in paragraph 5.3 that the proposed programme continues to **maintain the level of debt as previously projected** over the life of the 5 year programme.
- 5.11 The Council has a process for identifying and ranking projects, or bids, and the outcome of this is the production of the 5 year Non-Housing Capital Programme as shown in Appendix 1 of this report and is aligned to the Council's Strategic Business Plan, which is founded upon the Local Outcome Improvement Plan's strategic priorities of Prosperous People, Prosperous Place, Prosperous Economy and Enabling Technology.

Significant Developments within the 5 Year Capital Programme

- 5.12 The contract has been signed to provide a new Aberdeen Exhibition and Conference Centre, which will support and enhance Aberdeen's place culturally and in the global oil and gas industry. The site will also provide a hotel, energy centre and Anaerobic Digestive Gas to Grid plant.

- 5.13 Officers are currently reviewing the returned tender documentation for the Anaerobic Digestion Gas to Grid plant project. This includes a financial due diligence exercise on the capital, operational costs and revenue streams associated with tender returns.
- 5.14 A report on the Anaerobic Digestion Gas to Grid plant will be put forward to the 9th March 2017 Finance, Policy & Resources (FP&R) Committee outlining the updated financial model in light of the Government's recent announcement on the Renewable Heat Incentive as well as reporting the preferred bidder/s for the design and build of the anaerobic digestion plant and gas upgrader plant. In addition, officers are working with the recently appointed new operator to ensure readiness for taking control of operations on the 1st April 2017.
- 5.15 The construction of the Aberdeen Western Peripheral Route is well underway, with the opening of the first section, including the Craibstone and Dyce junctions, in Autumn 2016. The remainder of the route is expected to open in Winter 2017/18. Council's contribution to this scheme remains capped at £75m.
- 5.16 The new Lochside Academy at the South of the City will accommodate pupils from Kincorth and Torry Academies when it opens at the start of the 18/19 academic year. The state-of-the-art school will provide pupils and staff with the opportunity to enjoy learning and teaching in a modern, flexible environment, built to deliver the Curriculum for Excellence. By using modern technology the new academy will be energy efficient which will help reduce the Council's carbon footprint.
- 5.17 A report will be provided to Council on 15th March 2017 regarding the Shaping Aberdeen LLP project.
- 5.18 The regeneration of the city centre through the implementation of the City Centre Masterplan (CCMP) is proceeding. The Union Terrace Gardens proposals will be put forward to the Council meeting on 15th March 2017. Improvements to Union Street including enhanced cleaning regimes, decluttering, better signage and improved waste management are ongoing. Work on Broad Street and Provost Skene's House is about to commence and will complement the new Marischal Square development.
- 5.19 As these major projects progress this reduces the overall risk that the Council is exposed to in terms of complexity of its capital programme as well as cost. However, the above projects are largely now let (many on fixed price contracts) which further diminishes any financial exposure the Council has in relation to pricing.

Items not Included in the Capital Budget

- 5.20 Council should be mindful that there is no provision in the current Capital programme for the following item:

The Joint Initiative for Vehicle Expansion (JIVE) project, which will see the expansion of the Hydrogen Fuel Cell Bus fleet in Aberdeen. A bid was submitted to the EU for grant funding and was successful. The Council has committed a contribution of £2.5 million which is not included in the capital programme at this stage as it waits to hear whether the Scottish Government will match the Council's contribution. If successful, this project will support the expansion of the existing hydrogen fuel cell bus fleet from 10 to 20.

New Bridge over the River Dee

10 Options (plus some variants of options) were considered during the Scottish Transport Appraisal Guidance (STAG) Part 1 Appraisal Study to build a new bridge over the river Dee.

The former Enterprise, Strategic Planning and Infrastructure Committee on 13 March 2014 agreed that Options 6, 6B and 7 for the Bridge of Dee be progressed to STAG Part 2 Appraisal.

Concept 6: new upstream crossing with additional Non Motorised User (NMU) crossing adjacent to a reconfigured existing Bridge of Dee (New 4 lane bridge and retaining existing Bridge of Dee for traffic, plus new pedestrian and cycle crossing);

Concept 6B: as Concept 6, with additional link from Garthdee Road/Inchgarth Road to A93 North Deeside Road; and

Concept 7: new crossing adjacent to existing Bridge of Dee, which is reconfigured for Non Motorised User (NMU) use only (New 6 lane crossing for traffic, with existing Bridge of Dee retained for pedestrians and cyclists only).

Communities, Housing and Infrastructure Committee on 24th January 2017 agreed that the figures below should be passed to the budget process:

Scheme Costs (2016 Prices)	
Scheme	Cost Range
<u>Option 6</u>	<u>£73m - £102m</u>
<u>Option 6B</u>	<u>£84m - £113m</u>
<u>Option 7</u>	<u>£84m - £105m</u>

Note 2: Current Assets

5.21 Liquidity Policy

The Balance Sheet, through its current assets (as well as certain liabilities and reserves) provides an indication of the overall liquidity position of the Council. What this shows is that the Council has a strong level of cash reserves. The governance of the Council's liquidity position is through the Council's Treasury Management Strategy which states that the Council's investment priorities are as follows:

- (a) the security of capital and
- (b) the liquidity of its investments.

5.22 Liquidity of its investments is a key priority of the Council. To ensure good availability of liquidity for cash flow purposes, no more than 50% of the Council's available investments should be placed in longer-term, fixed rate investments. The remainder will be kept in highly liquid investments and invested on a short-term basis, using either Bank deposits or "Aaa"/"AAA" rated Money Market Funds.

5.23 Any change in the level of liquidity held will require approval from the Head of Finance and will be reported at the next Committee meeting.

5.24 The level of liquidity required at any given time will be based on several factors, including :-

- (a) the Council's cash flow requirements over the months ahead. This would include any known payments to third parties, loan repayments etc.
- (b) the level of surplus funds administered on behalf of other bodies such as the Pension Fund, ALEO's and Trusts, as these funds may be called back at any time by the bodies.
- (c) any payment with regards to capital projects which may require financing at short notice.

Note 3: Liabilities

5.25 The increase in the PPP liabilities reflects the construction of the AWPR project as some elements are now operational. The project is due to complete in Autumn 2017 when liabilities will further increase. The liability for this project is wholly met through specific government grant.

The other major movement in this category of the Balance Sheet is in relation to Borrowings (General) which represents, among other things, short term borrowings. As the Council has issued a Bond this is reflected in the Borrowings line.

Note 4: Reserves and Retained Profit

- 5.26 It is vital in setting its budget that the Council has a clear reserves policy. Over the current life of the medium term financial plan this strategy was to de-risk the Council through the balance sheet and provide cash backed earmarked reserves for any known potential future liabilities.
- 5.27 Reserves can effectively be broken down into 4 categories and these are listed below:
1. Unusable reserves – These are reserves that effectively are not “real” reserves in the sense that they can be utilised by the Council. Such reserves are accounting adjustments to reflect statutory provisions to avoid costs being charged to the Council in meeting the reporting requirements as defined within International Financial reporting standards;
 2. Non-earmarked reserves – This sum is just over £11 million and is to be utilised in the event of major unforeseen incidents or emergencies. It would be the advice of the Head of Finance that this sum should not be used and should continue to remain to ensure that the Council has a prudent financial position for 2017/18;
 3. Statutory Reserves – These are reserves that the Council is allowed to hold for specific purposes. The two main funds are the Capital Fund (which can be used for repayment of principal and capital expenditure) and an Insurance Fund (which is used to mitigate the risks of insurance related payments which may arise from claims). Currently the Capital Fund is fully earmarked to finance the capital programme over the next 5 years. Any use of this fund would require additional revenue savings to be found or existing projects to be removed from the programme.
 4. Earmarked Reserves – These are funds that are set aside at the end of the financial year as the Council has identified that it has ongoing financial commitments between financial years, a known liability has been entered into and will require to be settled in a future financial year or a sum has been set aside to de-risk the future financial exposure of the Council without having to make in-year savings to meet the liability.
- 5.28 In essence it can be seen, should the Council accept the professional advice above, that items 1, 2 and 3 above cannot be utilised.
- 5.29 In terms of continuing to strengthen the Council’s balance sheet, to provide liquidity and to mitigate, where possible, against any future liabilities, it is also recommended that item 4 above should not be utilised as a means of balancing the budget.
- 5.30 Overall, the Council has maintained the position of the Balance Sheet for uncommitted reserves to ensure that there is medium term financial stability within the Council.

5.31 The risk fund of £8.4 million remains, such that in being prudent, identified cost pressures could be set against the risk fund which Services will work on mitigating against in-year.

The table below shows the movement of reserves over the year:

	Balance at 1 April 2016	Balance at 31/1/17	Projected Balance at 31/03/17
Statutory Funds	£000	£000	£000
Capital Fund	27,952	27,952	27,952
Insurance Fund	1,802	1,802	1,802
City Improvement Fund	343	343	343
Lord Byron Fund	5	5	5
TOTAL	30,102	30,102	30,102
Ring Fenced Funds			
Energy Efficiency Fund	1,224	1,167	622
Bus Lane Enforcement	1,290	387	0
Second/Long Term Empty Homes	6,898	6,898	4,899
Private Sector Housing Grant	1,065	1,048	1,065
De-Risk the Council	2,872	2,872	2,872
Welfare Reform	2,000	2,000	2,000
Financial Risk Fund	8,378	8,378	8,378
Scottish Welfare Fund	35	0	0
Investment Strategy (Digital Strategy)	1,350	1,062	550
Investment Strategy	9,931	9,931	9,931
TOTAL	35,043	33,743	30,317
Earmarked by Service			
Communities, Housing & Infrastructure	2,969	2,418	1,306
Corporate Governance	650	396	234
Education & Childrens Services	8,761	8,428	4,791
Adult Social Services	284	57	0
Corporate	0	0	0
TOTAL	12,664	11,298	6,331
Uncommitted General Fund Balance	11,291	11,291	11,291
GRAND TOTAL	89,100	86,434	78,041

Long Term Financial Planning

- 5.32 The Balance Sheet above at 5.6 is the Council's first attempt to project in year the Balance Sheet to 31 March 2017 and represents a major task for finance staff in identifying and projecting forward the likely future financial position. This is done so ahead of any budget decisions which may be made as a consequence of this report.
- 5.33 In determining the long term financial affordability of capital investment decisions it is important that such decisions are affordable over the long term. Appendix 4 shows a 35 year projection of the Balance Sheet that shows the increased value of assets held.
- 5.34 The affordability of this investment is then linked directly to the interest payable (Financing Expenses) shown in the Income and Expenditure projections in Appendix 4. Over the life of the Bond, along with other debt instruments, the affordability is demonstrated by way of the "Retained Profit" or surplus before principal debt repayments.

5 Year Revenue Position 2017/18 to 2021/22

5.35 The Council has made high level assumptions for forecasting the 2017/18 position into both a long term financial assessment and a medium term financial strategy. The medium term (5 year) strategy is outlined below:

General Fund Revenue Budget 5 Year Position - Gross Figures						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Service	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Governance	89,158	89,788	90,180	90,571	90,963	91,355
Adult Social Care (Integrated Joint Board)	128,257	125,270	129,242	133,227	137,225	141,228
Education and Children's Services	229,592	233,876	238,688	241,512	243,831	246,656
Communities Housing and Infrastructure	164,670	165,977	167,812	170,505	172,264	173,516
Office of Chief Executive	5,309	5,622	5,315	5,383	5,424	5,482
Council Expenses	2,256	2,256	2,256	2,256	2,256	2,256
Miscellaneous Services	32,300	39,179	43,229	47,320	50,237	53,183
Joint Boards	1,645	1,645	1,645	1,645	1,645	1,645
NEW - Ring Fenced Grants		2,725	2,725	2,725	2,725	2,725
	653,187	666,339	681,091	695,145	706,571	718,046
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Income	(205,669)	(204,722)	(207,997)	(211,325)	(214,706)	(218,142)
General Revenue Grant	(115,372)	(112,409)	(109,037)	(105,766)	(102,593)	(99,515)
Non Domestic Rates	(215,586)	(200,921)	(194,893)	(189,047)	(183,375)	(177,874)
Council Tax	(106,234)	(107,434)	(109,153)	(110,899)	(112,674)	(114,477)
Additional Funding Allocated 2/2/17		(4,532)	(4,532)	(4,532)	(4,532)	(4,532)
Trading Services Surplus	(10,325)	(10,441)	(9,460)	(9,239)	(9,018)	(8,797)
NEW - Ring Fenced Grants		(2,725)	(2,725)	(2,725)	(2,725)	(2,725)
NEW Council Tax reform Income		(5,911)	(5,911)	(5,911)	(5,911)	(5,911)
Funding	(653,187)	(649,095)	(643,708)	(639,444)	(635,534)	(631,972)
Deficit	0	17,244	37,383	55,701	71,037	86,074
Service Options Identified		(31,899)	(40,363)	(46,100)	(49,285)	(52,520)
Revised (Surplus)/Deficit		(14,655)	(2,980)	9,601	21,752	33,554

The following assumptions have been made in the deficit figures shown above:

- A 1% Pay Award annually for all staff earning over £22,000 together with an increase of £400 for all staff earning less than £22,000 (full time equivalent);
- Fees and Charges to be increased by inflation from 18/19 onwards; and
- Council tax income levels will increase by inflation from 18/19 onwards.

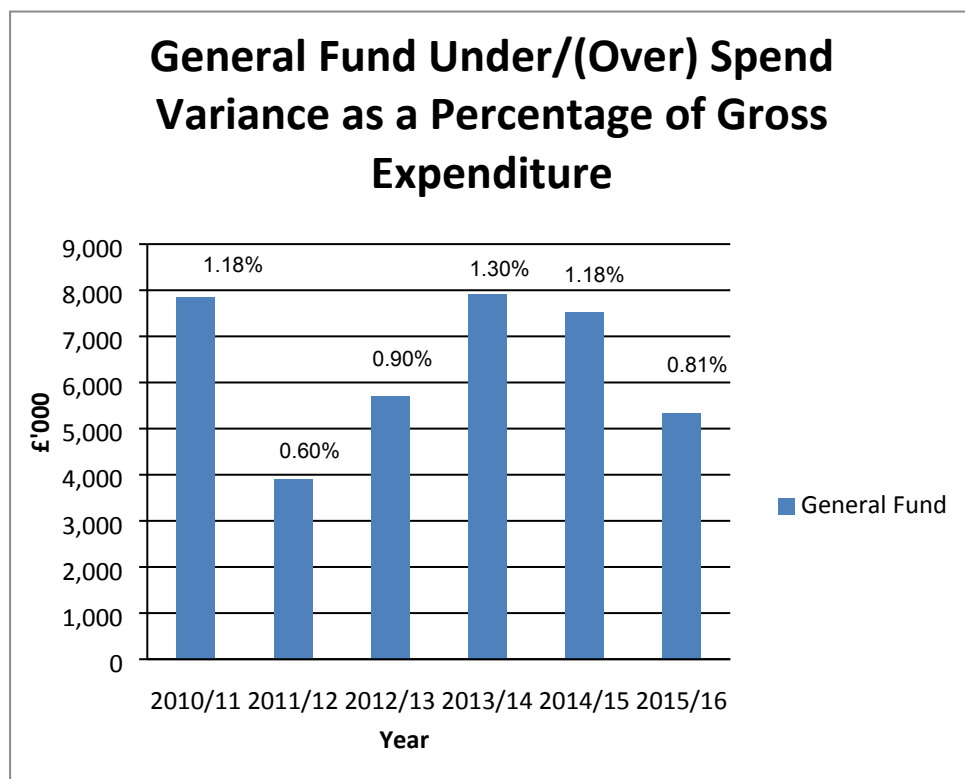
5.36 Appendix 4 contains information projecting this detail into a 35 year plan and includes the Housing Revenue Account (HRA). The Council does not distinguish its debt instruments between HRA and General Fund, for example the recent Bond will fund both the HRA and the General Fund.

5.37 Savings proposals for 2017/18 are attached in Appendix 6. These proposals will have impact across the 5 year period and the entirety of this impact requires to be considered.

- 5.38 The Council's change journey has already begun, with many services adapting to meet either legislative or regulatory change, or increasing customer demand.
- 5.39 The strategic plan contains details of how the Council plan to expand its change programme further, in order to ensure the financial sustainability of the Council going forward.

One Year Revenue Budgeted Position – 2017/18

- 5.40 In looking at the position for the next financial year it is useful to put into context the financial estimates for the current financial year. More detail can be found in the report which was presented to the FP&R Committee on 1st December 2016.
- 5.41 This report outlines that the Council continues to operate with a small underspend for the year which will increase the level of reserves the Council will have. This, combined with the year-end review of reserves, will allow the creation of a new reserve called 'Change Fund' which will provide funding for the service option of VS/ER as well as supporting the change programme, details of which are in the strategic plan.
- 5.42 The programme will require external support as well as additional capacity to ensure the delivery of the programme. This new reserve will therefore be utilised for a number of areas such as short term staffing support, external support from third parties, procurement costs, IT costs and any voluntary severance payments. The fund will be £8 million, consisting of £7 million for severance payments and £1 million for the cost of change.



Income

- 5.43 The Council receives its income through 4 methods. Firstly, council tax income is raised locally. Secondly, income is raised through Non-Domestic Rates (NDR) which forms part of the overall government funding distribution mechanism. Thirdly, the Council receives a General Revenue Grant (GRG) from the Scottish Government, which includes an allocation for ring-fenced funding. Finally, fees and charges are raised locally (through car parking charges, investment income and charges for services provided).
- 5.44 The value received from the Scottish Government for both Non-Domestic Rates and the General Revenue Grant are contained in Circular 9/2016 version 2, which was issued to Local Authorities in December 2016. This provides details of a one year funding settlement position only. The Scottish Government further announced on 2nd February 2017 an allocation of an additional £130 million revenue available to local authorities.
- 5.45 In addition, the Scottish Parliament passed legislation that amends, from April 2017, the way Council Tax on properties in Bands E, F, G and H is calculated. The tax for these properties will now be a higher percentage of the Band D rate than previously. Each council will retain their share of additional income generated from this.
- 5.46 Scottish Government has not yet informed Local Authorities of the 17/18 distribution of Discretionary Housing Payments, so this information is not contained within this report.
- 5.47 Assumptions made around the income figures include the following:
- Council tax non-collection rates are maintained at 2016/17 levels; and
 - The number of Band D equivalent properties has been increasing in recent years and is reflected in the increase in projected income of £1.2 million. Therefore, the budgeted income for 2017/18 has been aligned to reflect an additional 1,000 Band D equivalent properties, in line with the local development plan.

5.48 The income movement between 16/17 and 17/18 can be shown below:

	2016/17	2017/18	Movement	
	£'000	£'000	£'000	Note
Fees, Charges & Other Income	(205,669)	(204,722)	947	1
General Revenue Grant	(115,372)	(112,409)	2,963	2
Non Domestic Rates	(215,586)	(200,921)	14,665	3
Council Tax	(106,234)	(107,434)	(1,200)	4
Additional Funding Allocated 2/2/17		(4,532)	(4,532)	5
Trading Services Surplus	(10,325)	(10,441)	(116)	6
NEW - Ring Fenced Grants		(2,725)	(2,725)	7
NEW Council Tax reform Income		(5,911)	(5,911)	8
Funding	(653,187)	(649,095)	4,092	

5.49 The above figures show the following movements:

Note 1: A reduction in proposed planning fee income of £850k, plus a reduction in legal fee income of £90k due to the end of the right-to-buy scheme

Note 2: A reduction in General Revenue Grant from Scottish Government of £2.9 million

Note 3: A reduction in Non-Domestic Rate Income from Scottish Government of £14.66 million

Note 4: An expected increase in the Council Tax base of £1.2 million

Note 5: Additional allocation from Scottish Government as announced in their budget on 2nd February

Note 6: A small increase in the surplus from the Trading Services

Note 7: New Ring Fenced Grant Funding for the Attainment Fund of £2.725 million

Note 8: Increase in Council Tax Income due to Council Tax Reform

5.50 The total of these amounts mean a reduction in income for 2017/18 as compared with 2016/17 of £4 million.

5.51 As mentioned in paragraph 3.7 above, the allocation of £30 million capital and £30 million revenue support for the expansion or early learning and childcare is still under discussion between local authorities and Scottish Government, so no allocation has yet been made to the Council. Scottish Government plans to allocate all of the capital funding and £21 million of the revenue funding to local authorities in 2017-18, and proportionate monitoring and reporting requirements will be applied to this funding.

Taxation Powers

Council Tax

- 5.52 Scottish Government has introduced legislation which increases council tax levels in the top 4 bands, E to H. This is shown below and will raise an estimated £5.9 million which can be retained locally by the Council:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Current Charge	820.26	956.97	1,093.68	1,230.39	1,503.81	1,777.23	2,050.65	2,460.78
Revised Charge	820.26	956.97	1,093.68	1,230.39	1,616.60	1,999.38	2,409.51	3,014.46

- 5.53 Scottish Government has also allowed for Local Authorities to increase their council tax levels by up to 3%. Were Aberdeen City Council to do this, the figures below reflect the new charges:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Current Charge	820.26	956.97	1,093.68	1,230.39	1,503.81	1,777.23	2,050.65	2,460.78
Revised Charge with Multiplier and 3% Increase	844.87	985.68	1,126.49	1,267.30	1,665.09	2,059.37	2,481.80	3,104.89

Non-Domestic Rates

- 5.54 The Community Empowerment (Scotland) Act introduced in July 2015 provides for a new power for councils to create and fund their own localised business rates relief schemes, in addition to existing national rates relief, to better reflect local needs and support communities. Before exercising the power to introduce a scheme, the Local Authority must have regard to its income and expenditure and the interests of people liable to pay council tax by it. The cost of providing such a scheme would require to be met by the council tax payer.
- 5.55 The Grampian Joint Assessor Board has undertaken a rating revaluation exercise that takes effect from 1st April 2017. The initial data which the Council has received shows that the total revaluation roll will increase from £480 million to approximately £580 million.
- 5.56 This revaluation exercise will have an impact on local businesses within Aberdeen and given the current local downturn in the economy many businesses have expressed concern on the impact to their financial position.
- 5.57 Many different sectors have been impacted but some of the main ones (i.e. the ones facing the largest increase) include restaurants, public houses, depots, offices, hotels, factories and heliports. The Council itself has also been affected by the revaluation and the cost to the Council has been included as a cost pressure as set out in Appendix 5.

- 5.58 However, conversely the poundage rate has been reduced from 48.4p to 46.6p which will help mitigate a very small part of the increase. The Large Business Supplement threshold has also been increased to £51,000 while the Small Business Bonus Scheme threshold for 100% relief is proposed to rise to £15,000 with further tapered relief for rateable values up to £35,000.
- 5.59 Given the significant increase in the rateable values while the economy locally is experiencing a down turn the Council, under the Community Empowerment (Scotland) Act 2015 could choose to offer a scheme that mitigates, in part, this increase.
- 5.60 At the Urgent Business Committee on 31st January 2017, the Chief Executive was instructed to bring forward options for a local relief scheme. These options are set out in Appendix 9, and Council is asked to consider whether it wishes to introduce a scheme. The cost of such a scheme has not been included in the cost of services shown in the table in paragraph 5.61, given the late instruction to the Chief Executive.

Expenditure

- 5.61 The movement in expenditure for 2017/18 can be shown below:

	2016/17	2017/18	Movement
Service	£'000	£'000	£'000
Corporate Governance	89,158	89,788	630
Adult Social Care (Integrated Joint Board)	128,257	125,270	(2,987)
Education and Children's Services	229,592	233,876	4,283
Communities Housing and Infrastructure	164,670	165,977	1,307
Office of Chief Executive	5,309	5,622	314
Council Expenses	2,256	2,256	0
Miscellaneous Services	32,300	39,179	6,879
Joint Boards	1,645	1,645	0
NEW - Ring Fenced Grants		2,725	2,725
	653,187	666,339	13,152

- 5.62 Some of the main areas of movement are as follows:

	£000
Staff Increments	2,728
Pay Award	3,418 (see below)
Rating Revaluation	1,763
Out of Authority Placements	3,012
Apprenticeship Levy	910

Further details are shown in Appendix 5.

A 1% Pay Award has been assumed for all staff earning over £22,000 together with an increase of £400 for all staff earning less than £22,000 (full time equivalent). This is in line with the Scottish Government's Public Sector Pay Policy. Negotiations are ongoing between Trade Unions and Cosla on the 17/18 pay award for Local Government.

5.63 The Scottish Government's Circular 9/2016 version 2 also states the following:

- An additional £107 million will be transferred from NHS Boards to Integration Authorities. £100 million of this will support the continued delivery of the living wage, sleepovers and sustainability in the care sector, and £7 million is allowed for the disregarding of war pensions from financial assessments for social care and pre-implementation work in respect of new carer's legislation. This is in addition to the £250 million transferred in the 16/17 budget. This allows local authorities to reduce their allocation to the integration authority to £80 million below 2016/17 levels. The impact of this for Aberdeen City Council is a reduction in the level of the payment to the Integration Joint Board from 2017/18 of £3.09 million;
- The Attainment Scotland Fund has been established which will be paid as a ring fenced grant and distributed on the basis of P1-S3 pupils known to be eligible for free school meals. The condition of this funding is that it is additional rather than substitutional and is to be used at the discretion of schools to close the attainment gap between children from the least and most deprived areas within their communities. Subject to Scottish Government confirmation, this may be paid as a specific grant;
- Councils are required to maintain the pupil teacher ratio at 16/17 levels, which for Aberdeen City Council is 14.0, and a guarantee of a place for all probationers who require one; and
- Councils now have the flexibility to increase council tax by up to a maximum of 3%.

5.64 In preparing an initial draft budget position for 2017/18, the Council's Corporate Management Team (CMT) began with an analysis of the 2016/17 budgetary position. This review analysed and remodelled the cost pressures which had already been identified for 2017/18, such as contractual obligations and staffing costs. The process also identified new growth which would be required during 2017/18, such as the new Apprenticeship Levy, which represents a charge of 0.5% of the Council's wage bill. The results of this in-depth review, including the deductions which can be made to the Integrated Joint Board as mentioned above, show an increase in costs for 2017/18 of £13.15 million and are shown in Appendix 5.

5.65 Combining this movement with the reduction in funding mentioned above in paragraph 5.50, it can be seen that the identified position for 2017/18 is a shortfall, or deficit, in the budget of £17.24 million.

5.66 Appendix 6 contains details of options which have been prepared by officers to mitigate these cost pressures. A total of £32 million of options have been identified.

Items not included in the revenue budget

- 5.67 Council should be mindful that the following items are not included in the 2017/18 figures:

Transition Extreme: A request for £250,000 has been received for additional funding

Parking Charges: The impact of the Committee decision not to convert three free car parks into charged-for spaces has not been reflected in the figures. The cost of this is £105,000 per annum.

Common Good: the following items, currently funded by the Common Good, have been highlighted as not being in line with the ethos and principles of the Fund and therefore have been removed from the Common Good budget. If they are to continue to be provided, then they will be a cost pressure on the General Fund:

	£000
Official Catering	17
Bulawayo Trust	45
Gomel Trust	22
Mary Garden Prize	2
Events Team	50
	136

Family Support Centre at HMP Grampian: The Family Support Centre is an important service in enabling prisoners to maintain contact with their families. Evidence has shown that people in custody who have positive contact with their families while in custody are less likely to reoffend. A report will be made to Finance, Policy and Resources committee on 9th March 2017 seeking approval for a service level agreement in respect of the centre. A commitment has been made that the Council would provide £32,000 per annum to support this.

Group Accounts & Subsidiaries

5.68 The Council is the parent for a group of subsidiaries. The most significant of these are:

Bon Accord Care
Aberdeen Sports Village
Sport Aberdeen
Aberdeen Exhibition and Conference Centre.

The preparation of the Group Balance Sheet highlights that controls are in place to ensure that the Council has no exposure to long term liabilities from these bodies.

5.69 For the organisations mentioned above, whilst the subsidiary takes on responsibility for service delivery, the Council remains responsible for ensuring that they use the public funds the Council provides to them properly and can demonstrate best value. In other words, the Council remains accountable for the funds used to deliver public services, regardless of the means by which the service is delivered. In each case, the subsidiary has entered into a Service Level Agreement with the Council to deliver services.

5.70 To monitor these subsidiaries, the Council has established a governance hub which receives assurance from them on the strength (both effectiveness and adequacy) of their systems of risk management (governance) and on their operational performance, which is dependent on strong and effective governance arrangements. This in turn provides an assurance to members of the Audit, Risk and Scrutiny Committee as well as to members of the relevant service committee.

5.71 The credit rating agency was particularly interested in the contingent liability of bodies within the council's group structure and the ability of the arm's length bodies to impact on the underlying borrowing requirement of the Council.

- 5.72 Although Bon Accord Care is part of the Aberdeen City Council's group accounts, it is funded by the Integration Joint Board which is required to indicate the value of the services to be provided through the contract.

The table below represents the initial funding levels for 17/18, prior to any service options elected members may wish to approve from Appendix 6.

	Level of Funding 2016/17	Initial Funding 2017/18	Length in Operation
AECC	£0.97m	£0.97m	31 years
Aberdeen Sports Village	£1.14m	£1.14m	8 ½ years
Bon Accord Care (note: this includes a transfer to Children's Social Work of £116k)	£26.1m	£26.3m	4 ½ years
Sport Aberdeen	£5.4m	£5.4m	7½ years
Integration Joint Board (Gross Budget) (note: this includes the removal of £3.090 million as indicated in the grant settlement. The budget also includes Bon Accord Care funding reported above)	£128.257m	£125.27m	1 year

Integration Joint Board

- 5.73 As part of the Council's budget setting process, the sums to be transferred to the Aberdeen City Integration Joint Board (IJB) now have to be identified.
- 5.74 The legislation that underpins Adult Health and Social Care Integration, The Public Bodies (Joint Working) (Scotland) Act, came into force in April 2014. The Aberdeen City IJB was legally established on 6 February 2016. The IJB is responsible for the strategic planning of the functions delegated to it by Aberdeen City Council and NHS Grampian. The IJB approved its Strategic Plan for 2016-19 on 29 March 2016.
- 5.75 The legislation sets out those services from both a Local Authority and NHS Board that **must** be delegated and those services that **may** be delegated. The scope of Aberdeen City Council Adult Social Care Services and budget that are delegated are:
- Social work services for adults and older people, including commissioning budgets that fund both Bon Accord Care and external third and Independent sector provision;
 - Criminal Justice Services remains under the line management of the Head of Joint Operations and within the remit of the IJB, but with a "ring-fenced" budget; and
 - Housing Aids and Adaptations with a ring-fenced budget.
- 5.76 The IJB receives its funding from NHS Grampian and Aberdeen City Council. It has a combined budget of approximately £280 million for 2016/17. It has been operational for almost one full financial year and its financial position has remained relatively stable during this period.
- 5.77 The IJB have been working on their financial strategy over the last few months and a budget report was discussed by the IJB on 31 January 2017, which sought to balance the IJB budget based on provisional funding figures from the Council and NHS Grampian. The IJB were not minded to agree the budget until the final funding levels were confirmed by the Council and NHS Grampian. A special meeting is to be held of the IJB to discuss the budget on 7th March 2017. The value of the Council's net budget to be transferred to the IJB can remain at 16/17 levels, per Finance Circular 9/2016, at approximately £86 million (net), minus a reduction of £3.09 million, which will allow for a net budget transfer of £83 million from the Council. Details of the cost pressures and savings discussed by the IJB on the 31 January, which specifically impact on Social Care, are contained in Appendix 7. The IJB will itself be the decision maker on which saving options it selects from Appendix 7 and these are simply being included in the Council's report for transparency.

- 5.78 The tripartite budget process between the Council, NHS Grampian and the IJB has this year been based on a protocol agreed by the Chief Executive of Aberdeen City Council with senior officers from NHS Grampian and Aberdeen City Health & Social Care Partnership, and can be seen below in full at Appendix 8. The protocol provides guidance on how officers from the IJB, Council and NHS Grampian will work together during the preparation of their three respective budgets. The protocol indicates that the IJB will agree its budget based on provisional funding levels and then the decision on the actual level of funding will be made at this meeting in terms of Social Care, and the NHS Grampian Board in relation to delegated health functions. A further report will be brought back to the IJB confirming the final funding levels and the IJB will then decide on any changes required to its provisional budget.

6. IMPACT

In developing the options brought forward here the CMT has given consideration to the priorities identified with the Strategic Business Plan 2017/18, which is fully aligned to the LOIP. CMT has also borne in mind wherever possible that a balance must be struck between the impact each proposal has on our customer and our staff as well as on the Council's use of resources. As a result, options presented in the Appendices attempt to show the impact across the three dimensions.

For all options outlined, an Equality and Human Rights Impact Assessment Form has been completed. The potential impact of any of the options on the groups with protected characteristics has been taken into account in developing the budget proposals.

PEOPLE - CHILDREN - The focus has been on achieving greater efficiency of spending and the 2017/18 budget will focus on closing the poverty, education and health gap for children and young people by providing integrated support. Further investment has been made in increasing the number of teacher posts by 21 FTE, reflecting the increased growth in pupil rolls, particularly in the primary sector.

Through the revenue budget, the Council will continue to distribute £135 million to Head Teachers to invest in delivering the curriculum and preparing the 22,625 school aged children and young people to maximise their potential as adults. In supporting young people from areas of regeneration, the Council has allocated budget for 110 FTE teaching staff.

The capital budget presented to Council will ensure the delivery of the new Lochside Academy, the new Stoneywood School, a new primary school with early education and childcare facilities incorporated within a community hub in Torry and a new primary school with early education and childcare facilities in Tillydrone.

The new Centre of Excellence will be operational from August 2017 to support up to 120 children and young people with complex additional support needs, aged from 3 to 18. This establishment will assist the Council to fully deliver the Inclusion Review as it will facilitate out-reach support for children and young people who attend their local mainstream schools.

The budget for 2017/18 will address the cost of having to provide out of authority placements while Children's Social Work will continue to roll out the Reclaiming Social Work processes to provide a greater level of localised support to young people and their families. The roll out of the residential review is supported by the capital investment of £1.5 million in the purchase and refurbishment of the Kingsfield home which will provide state of the art accommodation for young people in the care of the Authority.

PEOPLE - ADULTS - The focus of budget setting for 2017/18 has been on balancing the need to make substantial savings from the budgets delegated to the IJB with the requirement to deliver statutory services to some of our most vulnerable citizens and those in need of care and support. There may be an impact on the support some people receive as a result of these budget savings, however it is anticipated that the savings will balance any reduction in service delivery, or waits for care, with a rigorous risk assessment process that ensures a fair use of resources and which prioritises those most at risk.

The challenge of balancing this single health and care budget and delivering savings of this scale is being done at a time of significant change for the IJB and Health and Social Care Partnership as it is also tasked with delivering a wide ranging transformation programme which impacts every element of the services it provides. The transformation programme seeks to develop sustainable health and care services for the future with an integrated health and care workforce and increasing delivery of services in our communities. There is an inevitable impact on the ability to do this at the pace required if the investment in the change programme is impacted by further budget reductions.

PLACE – The approach followed was motivated by recognition of the need to ensure service efficiencies were balanced with opportunities for targeted income. This approach will optimise service delivery whilst minimising the impact on front line service delivery.

The overall focus for service delivery over the coming year will be to deliver services to house those in need, protect residents and visitors, maintain and enhance the transport network and public realm, whilst providing essential collection services to households and businesses alike. This is set against a need and desire to manage the council's assets responsibly and support, facilitate and expedite investment in homes and the economy.

ECONOMY – The budget recognises the role of the Council in delivering specific projects that will deliver economic impacts in their own right; and the Council’s corporate role in delivering wider ‘business facing’ activity in supporting the competitiveness of the business environment.

The economy is exposed to external issues such as Brexit, globalisation and higher prices, as well as macro-economic issues relating to energy prices that will have a proportionately higher direct impact on the local economy than elsewhere in Scotland and the United Kingdom.

Supporting the regional economic strategy in the year ahead, priorities for the Council which are reflected in the budget will include:

- Supporting the implementation of the Aberdeen City Region Deal projects;
- Delivery of the Strategic Infrastructure Plan;
- Supporting the implementation of the City Centre Masterplan;
- Implementation of the transition of the new operator of the AECC;
- Implementation of new venue construction;
- Delivery of support to business, including Business Gateway and Scottish Local Authorities Loan Funding;
- Employability support; and
- Tourism support in delivery of VisitAberdeenshire, and supporting events’ delivery.

7. MANAGEMENT OF RISK

- 7.1 Every organisation has to manage the risks inherent in the operation of large and complex budgets. These risks are minimised by the regular review of financial information by services and corporately by elected members. This report is part of that framework.
- 7.2 Other risks the Council should be aware of in setting the budget include the non-delivery of savings options that are approved. To mitigate this risk each option has been risk assessed in terms of deliverability (and the options are listed by category). A specific report will also be taken to the CMT and the relevant committees to monitor delivery of these options during the year. A risk fund continues to be available to offer potential mitigation in-year should this be needed.
- 7.3 The other major risk is the delivery of the capital programme whereby insufficient capacity, capability and governance may lead to projects being delayed which in turn makes the determination of the underlying borrowing requirement difficult to determine. To mitigate this risk each project is being independently assessed as part of a “Round Table” exercise to review each of these elements.

8. BACKGROUND PAPERS

Scottish Government Finance Circulars
Scotland's Spending Plans and Draft Budget 2017/18
Audit Scotland 'Major capital investment in councils'.
CIPFA 'The Prudential Code for Capital Finance in Local Authorities'

9. REPORT AUTHOR DETAILS

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Appendix 1							
Non-Housing Capital Programme							
Forecast			Budget	Budget	Budget	Budget	Budget
Outturn			2017/18	2018/19	2019/20	2020/21	2021/22
2016/17	NHCP No.	Enabling Technology	£'000	£'000	£'000	£'000	£'000
£'000							
445	795	Accelerate Aberdeen (City Broadband)	360	0	0	0	0
2,210	804	Data Centre Transition & Infrastructure Transformation	8	0	0	0	8
607	805	Technology Investment Requirements & Digital Strategy	1,350	1,050	695	855	0
0	847	City Deal: Digital Infrastructure	1,750	1,750		0	0
3,262			3,468	2,800	695	855	0
7,818							
Forecast			Budget	Budget	Budget	Budget	Budget
Outturn			2017/18	2018/19	2019/20	2020/21	2021/22
2016/17	NHCP No.	Prosperous Economy	£'000	£'000	£'000	£'000	£'000
£'000							
251	551	Cycling Walking Safer Streets	316	0	0	0	0
5,225	587	Access from the North / 3rd Don Crossing	2,500	0	0	0	0
10,345	627	Aberdeen Western Peripheral Route	12,560	8,315	2,405	825	2,605
1,000	765G	Nestrans Capital Grant	1,595	1,580	1,500	1,295	1,295
5,969	789	Planned Renewal & Replacement of Roads Infrastructure	5,288	4,968	4,968	4,968	4,968
1,000	791	Strategic Land Acquisition	750	2,125	2,775	0	0
956	799A	Art Gallery Redevelopment - Museums Collection Centre	23	0	0	0	0
20,170	799B	Art Gallery Redevelopment - Main Contract (HLF)	3,890	508	0	0	0
1,621	824	City Centre Regeneration	11,417	13,326	2,236	0	0
50	806A	CATI - South College Street	410	4,840	170	0	0
1,446	806B	CATI - Berryden Corridor (Combined Stages 1, 2 & 3)	3,250	10,300	3,875	615	0
6,530	807	A96 Park & Choose / Dyce Drive Link Road	800	0	0	0	0
68,761	821	New Aberdeen Exhibition & Conference Centre	131,825	105,601	50,621	0	0
0	844	Sustrans Active Travel Infrastructure Fund	1,230	0	0	0	0
90	845	City Deal: Strategic Transport Appraisal	495	165	50	200	0
0	846	City Deal: Aberdeen Harbour Expansion Project	1,500	2,000	2,000	0	0
123,414			177,849	153,728	70,600	7,903	8,868
418,948							
Forecast			Budget	Budget	Budget	Budget	Budget
Outturn			2017/18	2018/19	2019/20	2020/21	2021/22
2016/17	NHCP No.	Prosperous People	£'000	£'000	£'000	£'000	£'000
£'000							
235	773	New Brimmond School	0	0	0	0	0
9,652	776	Centre of Excellence (formerly ASN)	6,072	0	0	0	0
700	779	Private Sector Housing Grant (PSHG)	700	700	700	700	700
500	789E	Street Lighting	500	500	1,000	1,000	1,000
7	797	Victoria House	0	0	0	0	0
0	808A	New Academy to the South - ICT Infrastructure	0	1,000	0	0	0
0	808B	New Academy to the South - Infrastructure Improvements	0	1,500	0	0	0
0	809	New Milltimber Primary	0	500	11,000	1,500	0
3,614	811	Social Care Facilities - Burnside	57	0	0	0	0
500	812	Kingsfield Childrens Home	1,050	0	0	0	0
599	819	Tillydrone Community Hub	2,400	500	0	0	0
10	820	Investment in Tenanted Non-Residential Property Portfolio	1,290	1,582	0	0	0
800	823	Music Hall Refurbishment	0	0	0	0	0
500	827	SIF New Build Housing Programme	876	700	200	0	0
3,540	828	Greenbrae Primary Extension and Internal Works	70	0	0	0	0
1,688	829	Middlefield Project Relocation (Henry Rae CC)	37	0	0	0	0
3,010	831	Stonewood Primary	9,413	0	0	0	0
662	832	Dyce 3G Pitch	10	0	0	0	0
666	834	Refurbish Throughcare Facility - 311 Clifton Road	10	0	0	0	0
1,500	835	Street Lighting LED Lanterns (PACE 5 Year programme)	1,500	1,500	1,500	1,500	1,500
55	840	Tillydrone Primary School	2,850	6,595	7,500	0	0
25	841	Torry Primary School and Hub	2,975	7,000	9,000	1,000	0
104	843	Station House Media Unit Extension	938	0	0	0	0
28,367			30,748	22,077	30,900	5,700	3,200
92,625							
Forecast			Budget	Budget	Budget	Budget	Budget
Outturn			2017/18	2018/19	2019/20	2020/21	2021/22
2016/17	NHCP No.	Prosperous Place	£'000	£'000	£'000	£'000	£'000
£'000							
9,536	294	Corporate Property Condition & Suitability	10,629	8,000	8,000	8,000	8,000
4,508	784	Fleet Replacement Programme (including Zero Waste Strategy Fleet)	3,243	3,700	3,900	4,100	4,300
23	794	Hydrogen Buses	0	0	0	0	0
1,181	810C	Energy from Waste (EFW) Procurement and Land Acq.	4,642	697	18	0	0
2,410	810E	Investment in Waste Collection	1,098	0	0	0	0
1,487	810F	Refuse Derived Fuel Plant	0	0	0	0	0
16,633	810G	Co-mingled MRF & Depot	1,542	0	0	0	0
0	810J	Bridge of Don HWRC	0	100	500	800	0
0	810K	Energy from Waste (EFW) Construction & Torry Heat Network	456	457	22,000	49,000	13,087
0	821	New Aberdeen Exhibition & Conference Centre : Anaerobic Digestion Plant	4,000	21,270	0	0	0
(28)	825	City Deal	48	0	0	0	0
190	826	Aberdeen City Hydrogen Energy Storage (ACHES)	0	0	0	0	0
100	836	Flood Prevention Measures: Flood Guards Grant Scheme	100	100	100	100	100
0	837	Flood Prevention Measures: Riverside Drive at Bridge of Dee Court	500	0	0	0	0
0	838	Flood Prevention Measures: Millside & Paddock Peterculter	0	1,000	2,000	0	0
0	839	Flood Prevention Measures: Inchgarth Road	0	500	500	0	0
0	999	Construction Inflation Allowance for existing projects	1,195	0	0	0	0
36,040			27,453	35,824	37,018	62,000	25,487
187,782							
191,083		Totals	239,518	214,429	139,213	76,458	37,555
707,173							

Forecast		Appendix 1 (Cont)					
Outturn		Non-Housing Capital Programme					
2016/17		Financed By:					Budget
£'000		Budget	Budget	Budget	Budget	Budget	Total
		2017/18	2018/19	2019/20	2020/21	2021/22	
		£'000	£'000	£'000	£'000	£'000	£'000
	NHCP No.	1. Project Funding Streams					
(1,712)	294	0	0	0	0	0	0
(251)	551	(316)	0	0	0	0	(316)
(1,756)	587	0	(2,000)	0	0	0	(2,000)
		Fleet Replacement Programme					
(960)	784	0	0	0	0	0	0
(252)	789	0	0	0	0	0	0
0	794	0	0	0	0	0	0
(99)	795	0	0	0	0	0	0
(139)	807	0	0	0	0	0	0
(458)	810C	(2,459)	(397)	(18)	0	0	(2,874)
0	810K	(274)	(274)	0	0	0	(548)
(23)	825	0	0	0	0	0	0
(238)	826	0	0	0	0	0	0
0	827	(1,000)	(1,000)	(1,000)	0	0	(3,000)
(1,414)	829	0	0	0	0	0	0
(80)	836	(80)	(80)	(80)	(80)	0	(320)
		Flood Prevention Measures: Riverside Drive at Bridge of Dee Court					
0	837	0	(400)	0	0	0	(400)
0	838	0	0	0	(2,400)	0	(2,400)
0	839	0	0	0	(800)	0	(800)
(104)	843	(938)	0	0	0	0	(938)
(800)	805	(657)	0	0	0	0	(657)
(4,149)	799A	(14,197)	0	0	0	0	(14,197)
0	809	0	0	(2,421)	0	0	(2,421)
(800)	823	0	0	0	0	0	0
(396)	828	(354)	0	0	0	0	(354)
(662)	832	(10)	0	0	0	0	(10)
(666)	834	(10)	0	0	0	0	(10)
(97)	811	0	0	0	0	0	0
(15,056)		(20,295)	(4,151)	(3,519)	(3,280)	0	(31,245)
		2. Other Receipts					
0		(2,000)	(2,000)	(2,000)	(2,000)	0	(8,000)
0		(9,000)	0	0	0	0	(9,000)
(5,117)		(2,000)	(2,000)	(2,000)	(2,000)	0	(8,000)
(5,117)		(13,000)	(4,000)	(4,000)	(4,000)	0	(25,000)
(20,132)		(25,874)	(25,000)	(25,000)	(25,000)	(25,000)	(125,874)
(109,394)		(186,030)	(143,752)	(77,469)	(18,018)	(21,218)	(446,487)
(149,699)		(245,199)	(176,903)	(109,988)	(50,298)	(46,218)	(628,606)
		3. Capital Grant					
		(25,874)	(25,000)	(25,000)	(25,000)	(25,000)	(125,874)
		4. Other Financing					
		(186,030)	(143,752)	(77,469)	(18,018)	(21,218)	(446,487)
		Sub-total					
		(245,199)	(176,903)	(109,988)	(50,298)	(46,218)	(628,606)
		Cashflow					
		5,681	(37,526)	(29,225)	(26,160)	8,663	(78,567)
		Net Position					
		0	0	0	0	0	0

**APPENDIX 2
ABERDEEN CITY COUNCIL
2016/17 to 2021/22**

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

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

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

The key objectives of the Code are to ensure:-

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

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

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

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

	Capital Expenditure						
	2015/16 £'000 Actual	2016/17 £'000 Estimate	2017/18 £'000 Estimate	2018/19 £'000 Estimate	2019/20 £'000 Estimate	2020/21 £'000 Estimate	2021/22 £'000 Estimate
Non HRA	102,027	191,083	239,518	214,429	139,213	76,458	37,555
HRA	35,037	43,473	55,318	30,078	24,632	24,914	25,556

	Ratio of Financing Costs to Net Revenue Stream						
	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Non HRA	6.0%	4.3%	5.0%	5.2%	5.6%	5.9%	6.0%
HRA	15.7%	16.8%	16.5%	17.6%	18.5%	18.3%	17.7%

	Capital Financing Requirement						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Non HRA	498,305	576,857	743,765	859,206	915,606	912,138	909,998
HRA	235,291	248,917	273,772	272,445	264,301	254,618	243,634
Total	733,596	825,774	1,017,537	1,131,651	1,179,907	1,166,756	1,153,632

The Prudential Code states:

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

The Head of Finance reports that the Council can meet this requirement in 2015/16, and it is expected to do so for the future years, as outlined, taking into account current commitments, existing plans, and the assumptions in this report.

	Authorised Limit for External Debt					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Boundary	851,536	1,043,299	1,157,413	1,205,669	1,192,518	1,179,394
10% Margin	85,154	104,330	115,741	120,567	119,252	117,939
Total	936,690	1,147,629	1,273,154	1,326,236	1,311,770	1,297,333

	Operational Boundary for External Debt					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	747,952	942,326	1,059,662	1,110,915	1,099,558	1,089,808
Other Long Term Liabilities	103,584	100,973	97,751	94,754	92,960	89,586
Total	851,536	1,043,299	1,157,413	1,205,669	1,192,518	1,179,394

The estimate of the incremental impact of capital investment decisions proposed in this report, over and above capital investment decisions that have previously been taken by the Council are:

(a) for Band D Council Tax

	2017/18	2018/19	2019/20	2020/21	2021/22
	£41.85	£0	£0	£0	£0

(b) for average weekly housing rents (assuming that increased capital investment is financed by way of cfc and borrowing)

	2017/18	2018/19	2019/20	2020/21	2021/22
	£0.78	£0	£0	£0.02	£0.04

Appendix 3 - Reserves and Balances						
Communities, Housing & Infrastructure As at Period 10 2016/17	Balance at 1 April 2016	Balance at 31/1/17	Anticipated Use 2016/17	New Amounts / (No longer required)	Balance at 31/03/17	Purpose
Income Derived Projects:	£'000		£'000	£'000	£'000	
Energy Efficiency Fund	1,224	1,167	602		622	CEEF Fund. Revolving Fund. Funds are extended for Energy efficiency projects. The funding is recouped from the project over a period of time.
Bus Lane Enforcement	1,290	387	1,290		0	As required by the relevant legislation, net income from Bus Lane Enforcement to facilitate the objective's of the Local Transport Strategy
Second/Long Term Empty Homes	6,898	6,898	1,999		4,899	Ongoing investment into new housing.
Other Projects cont'd:						
EP&I Strategic Infrastructure Plan	44	0	44		0	Fully spent
CHI Strategic Infrastructure Plan	36	0	36		0	Fully spent
Upgrade to the Road at the Torry Battery	193	193	0		193	No contract in place, will be undertaken in 2017/18
Roads Repairs Projects	125	125	125		0	To be used for resurfacing Newburgh Circle. Works due to take place either by the end of October or March. This is dependent on progression of planned capital resurfacing works & weather over the winter. Full spend expected
CH&I Bus Plan Serv Opts-AMO-01		0	0		0	
Property Transfer	155	155	0		155	Agreed purpose is for repairs to Thomas Glover House as identified in building condition survey. Unlikely to be completed by 31 March 2017.
Park Improvements -						
Westburn Park Cycle Track restoration	29	29	0		29	Awaiting further information but looks like being 2017/18
Upgrade at Johnston Gardens	13	13	13		0	Awaiting further information but looks like being 2016/17
Park Improvement - Auchmill	2	0	2		0	Fully spent
Park Improvement - Cairnry Comm Centre	4	0	4		0	Fully spent
Park Improvements - Seaton Park	155	11	155		0	£100k approved at FP&R June 2015 and £55k approved at FP&R in June 2016. Should be fully spent by 31 March 2017
Duthie Park, Winter Gardens Education Room	39	0	39		0	Fully spent
City Deal	300	250	300		0	To be used to support the capital programme
Mens Shed	7	7	7		0	As approved by FP&R June 2015, contribution to Men's shed social club charity, Dyce.
DEM Education Community Centres	1,105	1,105	277		828	DEM funds being held until community centre management groups meet requirements and then can be released to them.
Community Planning	24	24	15		9	£15k committed to Participatory Budgeting in 2016/17. Balance as yet uncommitted.
Big Belly Bins	105	1	105		1	Fully spent
New Carpets for Cummings Park Flat	4	4	4		0	Part payment made February 2017 with remainder expected by 31 March 2017
Printfield Community Project Creche Development	5	5	5		0	Further information recently obtained from Cllr L Dunbar, payment expected to be made in 2016/17
Cornhill Community Centre Adult learning	5	0	5		0	Fully spent
New Kitchen for Danestone Community Centre	16	0	16		0	Fully spent
Cairnry Community Centre replacement of furniture	4	3	4		0	Part spent to date with remainder expected by 31 March 2017
Upgrade of CCTV Balnagask Community Centre	2	0	2		0	Fully spent
New Boiler Ferryhill Community Centre	20	20	0		20	Officers have advised that the boiler doesn't need to be replaced just now.
Old Torry Community Centre	5	0	5		0	Fully spent
Tillydrone Community Development Trust	12	0	12		0	Fully spent
Tillydrone Vision	10	0	10		0	Fully spent
New shed at St Clements Court	1	1	0		1	Awaiting further information but looks like being 2017/18
Youth bus for Torry Community Centre	20	20	0		20	Bus idea not viable, now looking to do something at the phoenix building.
Play Parks -						
New play equipment at Westerton of Auchmill (Bonnyview Road)	30	30	30		0	Contract signed, work due to commence 27 February 2017
Skene Street Play Park upgrade	7	7	7		0	Awaiting further information but looks like being 2016/17
Play equipment for Allan Park Cults	60	60	60		0	Contract signed, work expected to be undertaken in March 2017
Play equipment for Crown Terrace Park	15	15	15		0	Contract signed, work due to commence 30 January 2017
Provide a Bench at 4 Play areas within Kincorth	3	3	3		0	Contract signed, benches delivered and awaiting installation
Upgrade Play Area at Findon Ness	25	25	25		0	Contract signed, works commenced on site
Upgrade to Play Park at Seaview Place in Bridge of Don	30	30	30		0	Contract signed, work expected to be undertaken in February 2017
Off road motorcycle project	10	3	10		0	Part spent to date with remainder expected by 31 March 2017
Replace defunct Security Camera System at Kincorth Shopping Centre	5	5	5		0	Awaiting quote
To cover the legal costs for gifted land from Culter House Estate in Culter to the Community Council	5	5	0		5	Awaiting further information but looks like being 2017/18
Support for Milltimber Play Group outdoor forest	1	1	0		1	Awaiting further information but looks like being 2017/18
Fairer Aberdeen	36	0	36		0	Fully spent
Revenue Grants:						
Commercial - Dev Grant	30	30	0		30	Budget manager has the aspiration of using the fund as part of match funding for an ESF project. Nothing likely in 16/17.
DWP Flexible Support Funding	60	60	60		0	To be repaid
Duthie Park Bequest	66	47	19		47	Bequest made for improvements in Duthie Park
Private Sector Housing Grant	1,065	1,048	50		1,015	Revolving fund for improvements to private housing.
Welfare Rights/SLAB 2	7	0	7		0	Fully spent
Welfare Rights/NHS Grant	15	7	10		5	IT system being procured, balance required for 17/18 license
Community Justice Redesign Post	24	24	12		12	Ring Fenced funding for this post. Year 2 & Year 3 costs will exceed grant so this reserve will be needed to cover additional costs.
Total	13,446	11,917	5,554	0	7,892	

Appendix 3 (cont) Education & Children's Services As at Period 10 2016/17	Balance at 1 April 2016	Balance at 31/1/17	Anticipated Use 2016/17	New Amounts / (No longer required)	Balance at 31/03/17	Purpose
Projects:	£'000		£'000	£'000	£'000	
Additional grant AIYF	20	0	20		0	Fully spent
HMT Roof Works	288	288	38		250	HMT Roof Works as approved at Finance, Policy & Resources Committee, April 2016
Developing Young Workforce	300	259	153		147	To prepare young adults for the transition from education to the workplace. As approved at Finance, Policy & Resources, April 2016
Northfield Academy Fire Work display	1	1	1		0	Event has taken place, awaiting invoice
Music Hall Redevelopment	800	800	800		0	To contribute towards the redevelopment of the Music hall, approved by Council, June 2013
Reclaiming Social Work	337	337	0		337	As agreed at Social Care & Wellbeing Committee September 2013, towards the costs of this project.
Reclaiming Social Work	2,930	2,930	800		2,130	As agreed at Council February 2015, towards the costs of this project. Sums to be spent 16/17 and 17/18
ICT Projects - Schools ICT Fund	1,446	1,203	469		977	Implement various approved school ICT projects
Business Plan Service Options	89	84	25		64	Spend in year relates to City Moves move to arms length status
DEM Carry Forward Balances	2,525	2,525	1,639		886	Schools
Hilton Outdoor Centre	25	0	25		0	Fully spent
Total	8,761	8,428	3,970	0	4,791	
Corporate Governance As at Period 10 2016/17	Balance at 1/4/16	Balance at 31/1/17	Anticipated Use 2016/17	New Amounts / (No longer required)	Balance at 31/03/17	Purpose
Projects:	£'000	£'000	£'000	£'000	£'000	
ICT Projects - New Microphones	37	15	22		15	Work ongoing, balance required in 2017/18
Business Plan Service Options	340	223	151		189	Currently funding salaries into 2017/18
Employee Benefit Scheme	77	77	77		0	To be used for potential VAT liability
H&S Training Programme for Managers	25	25	0	(25)	0	To be funded from training budget
ICT Projects	47	29	22		25	
ICT Rolling Programme	76	1	76		0	Fully spent
Star Awards Sponsorship	25	25	20		5	Cost incurred, awaiting transfer from Procurement
Events Review	23	1	23		0	Fully spent
Total	650	396	391	(25)	234	
Adults Social Care As at Period 10 2016/17	Balance at 1 April 2016	Balance at 31/1/17	Anticipated Use 2016/17	New Amounts / (No longer required)	Balance at 31/03/17	Purpose
Revenue Grants:	£'000		£'000	£'000	£'000	
School Drive/Abbotswell	29	3	26	(3)	0	For adaptations to the school drive service.
Sef Directed Support	255	54	255		0	Funding for various posts to improve SDS uptake during 2017.
Total	284	57	281	(3)	0	
Corporate As at Period 10 2016/17	Balance at 1 April 2016	Balance at 31/1/17	Anticipated Use 2016/17	New Amounts / (No longer required)	Balance at 31/03/17	Purpose
Projects:	£'000	£'000	£'000	£'000	£'000	
De-risk the Council	2,872	2,872	0		2,872	Cash backing for Council guarantees to external organisations
Welfare Reform	2,000	2,000	0		2,000	Recognised priority of the Council and additional risk associated with being uncertain about the full financial impact on the Council
Financial Risk Fund	8,378	8,378	0		8,378	As agreed at Finance & Resources Committee October 2012, to provide funding to support the cost pressure risks associated with Priority Based Budgeting
Scottish Welfare Fund	35	(0)	35		(0)	Unspent funding to be utilised in 2016/17 as per advice from the Scottish Government. Fully spent.
Investment Strategy (Digital Strategy)	1,350	1,062	800		550	Funding Capital Plan
Investment Strategy	9,931	9,931	0		9,931	Funding set aside towards the future investment strategy of the Council
Total	24,566	24,243	835	0	23,731	
Total As at Period 10 2016/17	Balance at 1 April 2016	Balance at 31/1/17	Anticipated Use 2016/17	New Amounts / (No longer required)	Balance at 31/03/17	Purpose
Service	£'000	£'000	£'000	£'000	£'000	
Communities, Housing & Infrastructure	13,446	11,917	5,554	0	7,892	
Corporate Governance	650	396	391	(25)	234	
Education & Childrens Services	8,761	8,428	3,970	0	4,791	
Adult Social Services	284	57	281	(3)	0	
Corporate	24,566	24,243	835	0	23,731	
Total	47,707	45,040	11,031	(28)	36,647	
Uncommitted General Fund Balance	11,291					
Total General Fund Balance	58,998					
Statutory Funds						
Capital Fund	27,952					
Insurance Fund	1,802					
City Improvement Fund	343					
Lord Byron Fund	5					
Total	30,102					

Appendix 4 - Forecast statement of financial position – Includes General Fund and HRA

Forecast statement of income and expenditure

2016/17-2025/26

£'000	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26
Revenue	766,598	772,483	780,825	803,698	818,057	835,448	855,087	868,450	882,565	899,651
Operating costs	(617,163)	(621,417)	(626,784)	(629,573)	(635,665)	(649,113)	(662,291)	(675,587)	(689,319)	(703,578)
Gross income	149,435	151,067	154,041	174,124	182,392	186,334	192,795	192,863	193,246	196,073
Lifecycle costs	(26,608)	(27,100)	(27,701)	(28,327)	(28,974)	(29,587)	(30,187)	(35,330)	(32,966)	(32,069)
Capital write-off	-	-	-	-	-	-	-	-	-	-
Operating profit	122,828	123,967	126,341	145,797	153,418	156,748	162,608	157,533	160,280	164,004
Interest receivable on cash deposits	1,168	1,429	714	328	386	472	566	647	723	835
Interest incurred on overdraft	-	-	-	(0)	-	-	-	-	-	-
Financing expenses	(33,138)	(38,806)	(39,325)	(39,518)	(39,918)	(38,683)	(37,624)	(36,684)	(35,726)	(34,744)
Pension service costs	(31,242)	(31,554)	(31,870)	(32,189)	(32,510)	(32,836)	(33,164)	(33,496)	(33,831)	(34,169)
Net profit	59,616	55,035	55,859	74,418	81,376	85,701	92,386	88,001	91,446	95,925
Retained profit b/f*	-	59,616	114,651	170,510	244,928	326,304	412,005	504,391	592,392	683,838
Net profit in period	59,616	55,035	55,859	74,418	81,376	85,701	92,386	88,001	91,446	95,925
Retained profit c/f	59,616	114,651	170,510	244,928	326,304	412,005	504,391	592,392	683,838	779,763

* Retained profits have been forecast incrementally to existing reserves.

2026/27-2035/36

£'000	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31	31-Mar-32	31-Mar-33	31-Mar-34	31-Mar-35	31-Mar-36
Revenue	917,784	936,356	955,606	976,845	998,404	1,020,254	1,042,339	1,064,020	1,086,482	1,109,595
Operating costs	(718,292)	(733,335)	(748,955)	(765,598)	(782,920)	(800,693)	(818,544)	(836,465)	(854,647)	(873,123)
Gross income	199,493	203,022	206,650	211,247	215,483	219,562	223,795	227,555	231,835	236,472
Lifecycle costs	(32,739)	(33,425)	(39,417)	(36,699)	(35,684)	(36,494)	(37,308)	(44,316)	(41,067)	(39,795)
Capital write-off	-	-	-	-	-	-	-	-	-	-
Operating profit	166,754	169,597	167,233	174,548	179,799	183,067	186,487	183,239	190,769	196,677
Interest receivable on cash deposits	950	1,069	1,177	1,295	1,461	1,643	1,834	2,020	2,219	2,463
Interest incurred on overdraft	-	-	-	-	-	-	-	-	-	-
Financing expenses	(33,693)	(32,750)	(31,956)	(30,923)	(29,756)	(28,481)	(27,238)	(26,063)	(24,920)	(23,730)
Pension service costs	(34,511)	(34,856)	(35,204)	(35,556)	(35,912)	(36,271)	(36,634)	(37,000)	(37,370)	(37,744)
Net profit	99,501	103,060	101,251	109,364	115,593	119,958	124,449	122,196	130,698	137,666
Retained profit b/f*	779,763	879,264	982,324	1,083,575	1,192,939	1,308,532	1,428,490	1,552,939	1,675,135	1,805,833
Net profit in period	99,501	103,060	101,251	109,364	115,593	119,958	124,449	122,196	130,698	137,666
Retained profit c/f	879,264	982,324	1,083,575	1,192,939	1,308,532	1,428,490	1,552,939	1,675,135	1,805,833	1,943,498

* Retained profits have been forecast incrementally to existing reserves.

2036/37-2045/46

£'000	31-Mar-37	31-Mar-38	31-Mar-39	31-Mar-40	31-Mar-41	31-Mar-42	31-Mar-43	31-Mar-44	31-Mar-45	31-Mar-46
Revenue	1,133,061	1,157,533	1,182,488	1,204,806	1,229,135	1,254,678	1,279,284	1,303,549	1,327,989	1,352,620
Operating costs	(891,784)	(911,240)	(931,036)	(950,871)	(970,692)	(990,585)	(1,009,260)	(1,027,426)	(1,045,584)	(1,063,728)
Gross income	241,277	246,293	251,453	253,934	258,442	264,093	270,024	276,123	282,405	288,892
Lifecycle costs	(40,645)	(41,532)	(49,669)	(45,807)	(44,241)	(45,147)	(45,998)	(55,209)	(50,504)	(48,480)
Capital write-off	-	-	-	-	-	-	-	-	-	-
Operating profit	200,632	204,761	201,783	208,127	214,201	218,946	224,026	220,914	231,901	240,412
Interest receivable on cash deposits	2,724	3,002	3,279	3,605	3,978	4,371	4,784	5,191	5,612	6,092
Interest incurred on overdraft	-	-	-	-	-	-	-	-	-	-
Financing expenses	(22,822)	(21,770)	(20,594)	(19,410)	(18,261)	(16,775)	(15,500)	(14,332)	(13,125)	(11,887)
Pension service costs	(38,121)	(38,502)	(38,887)	(39,276)	(39,669)	(40,066)	(40,466)	(40,871)	(41,280)	(41,693)
Net profit	142,413	147,491	145,581	153,046	160,249	166,477	172,843	170,901	183,108	192,924
Retained profit b/f*	1,943,498	2,085,911	2,233,402	2,378,983	2,532,029	2,692,278	2,858,755	3,031,598	3,202,499	3,385,607
Net profit in period	142,413	147,491	145,581	153,046	160,249	166,477	172,843	170,901	183,108	192,924
Retained profit c/f	2,085,911	2,233,402	2,378,983	2,532,029	2,692,278	2,858,755	3,031,598	3,202,499	3,385,607	3,578,532

* Retained profits have been forecast incrementally to existing reserves.

2046/47-2055/56

£'000	31-Mar-47	31-Mar-48	31-Mar-49	31-Mar-50	31-Mar-51	31-Mar-52	31-Mar-53	31-Mar-54	31-Mar-55	31-Mar-56
Revenue	1,377,440	1,402,424	1,427,899	1,454,050	1,480,973	1,508,570	1,536,968	1,566,006	1,570,844	1,592,137
Operating costs	(1,081,852)	(1,099,863)	(1,118,190)	(1,136,987)	(1,156,320)	(1,176,082)	(1,196,321)	(1,216,908)	(1,237,394)	(1,258,528)
Gross income	295,589	302,561	309,709	317,063	324,653	332,487	340,646	349,098	333,451	333,609
Lifecycle costs	(49,306)	(50,127)	(60,543)	(55,074)	(52,699)	(53,599)	(54,521)	(66,409)	(60,135)	(57,384)
Capital write-off	-	-	-	-	-	-	-	-	0	-
Operating profit	246,283	252,434	249,166	261,989	271,954	278,888	286,125	282,689	273,315	276,225
Interest receivable on cash deposits	6,613	7,186	7,779	8,397	9,077	9,800	10,569	11,344	12,060	12,801
Interest incurred on overdraft	-	-	-	-	-	-	-	-	-	-
Financing expenses	(10,680)	(9,657)	(8,610)	(7,545)	(6,465)	(5,342)	(4,263)	(3,242)	(2,621)	(2,438)
Pension service costs	(42,109)	(42,531)	(42,956)	(43,385)	(43,819)	(44,257)	(44,700)	(45,147)	(45,598)	(46,054)
Net profit	200,106	207,433	205,379	219,455	230,746	239,088	247,731	245,643	237,155	240,533
Retained profit b/f*	3,578,532	3,778,638	3,986,071	4,191,450	4,410,905	4,641,651	4,880,739	5,128,469	5,374,112	5,194,643
Net profit in period	200,106	207,433	205,379	219,455	230,746	239,088	247,731	245,643	237,155	240,533
Retained profit c/f	3,778,638	3,986,071	4,191,450	4,410,905	4,641,651	4,880,739	5,128,469	5,374,112	5,611,268	5,435,175

* Retained profits have been forecast incrementally to existing reserves.

Forecast Balance Sheet											
2016/17-2025/26											
		31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26
£000											
Non-current assets											
Property, plant and equipment (incl WIP)		2,280,537	2,540,582	2,703,759	2,778,693	2,803,572	2,799,518	2,790,739	2,782,152	2,773,766	2,765,597
Heritage assets		172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092
Investment property		85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937
Intangible assets		31	31	31	31	31	31	31	31	31	31
Long-term investments		19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061
Trade and other receivables		17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531
Total non-current assets		2,575,189	2,835,234	2,998,411	3,073,345	3,098,224	3,094,170	3,085,391	3,076,804	3,068,418	3,060,249
Current assets											
Cash, cash equivalents and short-term inv		354,359	222,238	99,293	61,550	82,713	98,624	118,742	132,635	149,814	173,307
Trade and other receivables		70,626	71,165	71,778	73,950	74,711	76,208	77,898	78,811	80,066	81,526
Inventory		1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674
Assets held for sale		5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429
Total current assets		432,088	300,506	178,174	142,603	164,527	181,935	203,743	218,550	236,983	261,936
Total assets		3,007,277	3,135,740	3,176,585	3,215,949	3,262,751	3,276,105	3,289,134	3,295,353	3,305,402	3,322,185
Current liabilities											
Trade and other payables		(87,646)	(88,382)	(89,254)	(89,828)	(90,827)	(92,748)	(94,631)	(97,025)	(98,492)	(100,530)
Borrowings - general		(19,618)	(20,897)	(31,448)	(36,996)	(38,357)	(39,965)	(41,648)	(40,991)	(40,309)	(40,637)
Provisions		(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)
PPP liabilities		(2,611)	(3,222)	(5,517)	(4,314)	(5,894)	(5,711)	(6,492)	(5,385)	(3,856)	(6,629)
Accumulated absences account		(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)
Grant receipts in advance - revenue		(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Grant receipts in advance - capital		(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total current liabilities		(121,363)	(123,988)	(137,707)	(142,627)	(146,566)	(149,912)	(154,259)	(154,889)	(154,145)	(159,283)
Non-current liabilities											
Trade and other payables		(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)
Borrowings - general		(622,792)	(676,897)	(673,313)	(671,360)	(679,296)	(651,338)	(622,062)	(593,824)	(566,665)	(539,590)
Borrowings - index-linked bond		(357,653)	(368,215)	(371,241)	(371,475)	(371,514)	(370,881)	(369,781)	(368,365)	(366,647)	(364,551)
Borrowings		(980,445)	(1,045,112)	(1,044,555)	(1,042,834)	(1,050,810)	(1,022,219)	(991,844)	(962,189)	(933,312)	(904,142)
Provisions		(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)
PPP liabilities		(113,972)	(143,953)	(140,435)	(136,121)	(130,227)	(124,516)	(118,024)	(112,638)	(108,783)	(102,154)
Pension liabilities		(243,990)	(236,790)	(229,518)	(222,174)	(214,756)	(207,264)	(199,697)	(192,055)	(184,336)	(176,540)
Total non-current liabilities		(1,339,879)	(1,427,327)	(1,415,981)	(1,402,602)	(1,397,266)	(1,355,471)	(1,311,037)	(1,268,355)	(1,227,903)	(1,184,307)
Total liabilities		(1,461,242)	(1,551,315)	(1,553,688)	(1,545,228)	(1,543,832)	(1,505,384)	(1,465,296)	(1,423,244)	(1,382,047)	(1,343,590)
Net assets		1,546,035	1,584,425	1,622,897	1,670,720	1,718,919	1,770,722	1,823,838	1,872,109	1,923,354	1,978,595

£'000	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31	31-Mar-32	31-Mar-33	31-Mar-34	31-Mar-35	31-Mar-36
<i>Non-current assets</i>										
Property, plant and equipment (incl. WIP)	2,757,654	2,749,941	2,742,474	2,735,290	2,728,408	2,721,837	2,715,567	2,709,588	2,703,896	2,698,492
Heritage assets	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092
Investment property	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937
Intangible assets	31	31	31	31	31	31	31	31	31	31
Long-term investments	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061
Trade and other receivables	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531
Total non-current assets	3,052,306	3,044,593	3,037,126	3,029,942	3,023,060	3,016,489	3,010,219	3,004,240	2,998,548	2,993,144
<i>Current assets</i>										
Cash, cash equivalents and short-term investments	196,449	220,495	240,891	266,736	301,985	338,915	377,618	413,853	456,417	506,902
Trade and other receivables	83,028	84,554	86,149	87,923	89,671	91,453	93,267	95,014	96,852	98,711
Inventory	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674
Assets held for sale	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429
Total current assets	286,580	312,152	334,144	361,761	398,759	437,471	477,988	515,970	560,372	612,716
Total assets	3,338,886	3,356,745	3,371,270	3,391,703	3,421,819	3,453,960	3,488,207	3,520,210	3,558,920	3,605,860
<i>Current liabilities</i>										
Trade and other payables	(102,632)	(104,781)	(107,592)	(109,391)	(111,865)	(114,404)	(116,955)	(120,195)	(122,113)	(124,753)
Borrowings - general	(42,151)	(43,740)	(44,213)	(42,630)	(41,794)	(42,162)	(41,670)	(41,726)	(40,102)	(39,389)
Provisions	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)
PPP liabilities	(7,031)	(7,275)	(7,429)	(5,519)	(7,843)	(8,918)	(9,182)	(8,668)	(8,738)	(10,497)
Accumulated absences account	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)
Grant receipts in advance - revenue	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Grant receipts in advance - capital	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total current liabilities	(163,302)	(167,283)	(170,721)	(169,027)	(172,990)	(176,972)	(179,295)	(182,076)	(182,441)	(186,126)
<i>Non-current liabilities</i>										
Trade and other payables	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)
Borrowings	(873,407)	(841,141)	(808,646)	(777,782)	(747,669)	(716,913)	(686,352)	(655,501)	(626,030)	(596,963)
Provisions	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)
PPP liabilities	(95,123)	(87,848)	(80,420)	(74,901)	(67,057)	(58,140)	(48,958)	(40,290)	(31,552)	(21,055)
Pension liabilities	(168,666)	(160,713)	(152,680)	(144,568)	(136,374)	(128,098)	(119,740)	(111,297)	(102,771)	(94,159)
Total non-current liabilities	(1,138,668)	(1,091,174)	(1,043,218)	(998,723)	(952,572)	(904,623)	(856,522)	(808,561)	(761,825)	(713,649)
Total liabilities	(1,301,970)	(1,258,457)	(1,213,939)	(1,167,750)	(1,125,562)	(1,081,594)	(1,035,817)	(990,637)	(944,266)	(899,775)
Net assets	2,036,916	2,098,288	2,157,331	2,223,953	2,296,257	2,372,365	2,452,390	2,529,573	2,614,654	2,706,085
<i>Reserves and Retained profit</i>										
General Fund	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856
Housing Revenue Account	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808
Statutory and other reserves	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102
Capital receipts reserve	-	-	-	-	-	-	-	-	-	-
Capital grants unapplied account	97	97	97	97	97	97	97	97	97	97
Retained profits	879,264	982,324	1,083,575	1,192,939	1,308,532	1,428,490	1,552,939	1,675,135	1,805,833	1,943,498
Unusable reserves	1,057,789	1,016,101	973,892	931,150	887,862	844,012	799,588	754,575	708,959	662,723
Total reserves and retained profits	2,036,916	2,098,288	2,157,331	2,223,953	2,296,257	2,372,365	2,452,390	2,529,573	2,614,654	2,706,085

£'000	31-Mar-37	31-Mar-38	31-Mar-39	31-Mar-40	31-Mar-41	31-Mar-42	31-Mar-43	31-Mar-44	31-Mar-45	31-Mar-46
<i>Non-current assets</i>										
Property, plant and equipment (incl. WIP)	2,693,369	2,688,550	2,684,035	2,679,811	2,675,858	2,672,164	2,668,650	2,665,273	2,662,013	2,658,852
Heritage assets	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092
Investment property	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937
Intangible assets	31	31	31	31	31	31	31	31	31	31
Long-term investments	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061
Trade and other receivables	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531
Total non-current assets	2,988,021	2,983,202	2,978,687	2,974,463	2,970,510	2,966,816	2,963,302	2,959,925	2,956,665	2,953,504
<i>Current assets</i>										
Cash, cash equivalents and short-term investments	560,013	616,624	671,581	741,363	817,335	897,430	981,217	1,061,289	1,149,236	1,247,388
Trade and other receivables	100,614	102,584	104,585	106,273	108,293	110,318	112,255	114,140	116,055	117,965
Inventory	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674
Assets held for sale	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429
Total current assets	667,730	726,312	783,269	854,738	932,732	1,014,851	1,100,575	1,182,532	1,272,394	1,372,456
Total assets	3,655,751	3,709,513	3,761,956	3,829,201	3,903,242	3,981,667	4,063,877	4,142,457	4,229,059	4,325,960
<i>Current liabilities</i>										
Trade and other payables	(127,419)	(130,199)	(133,820)	(135,860)	(138,692)	(141,534)	(144,202)	(147,712)	(149,392)	(151,984)
Borrowings - general	(39,922)	(39,861)	(39,800)	(39,753)	(39,977)	(40,930)	(42,104)	(43,063)	(42,057)	(39,166)
Provisions	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)
PPP liabilities	(10,962)	(10,093)	-	-	-	-	-	-	-	-
Accumulated absences account	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)
Grant receipts in advance - revenue	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Grant receipts in advance - capital	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total current liabilities	(189,791)	(191,641)	(185,108)	(187,101)	(190,158)	(193,953)	(197,794)	(202,263)	(202,937)	(202,638)
<i>Non-current liabilities</i>										
Trade and other payables	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)
Borrowings	(567,248)	(537,286)	(506,949)	(476,188)	(444,737)	(411,504)	(376,463)	(339,944)	(303,893)	(270,175)
Provisions	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)
PPP liabilities	(10,093)	-	-	-	-	-	-	-	-	-
Pension liabilities	(85,518)	(77,516)	(69,433)	(61,269)	(53,024)	(44,696)	(36,285)	(27,790)	(19,210)	(10,544)
Total non-current liabilities	(664,332)	(616,273)	(577,854)	(538,929)	(499,233)	(457,672)	(414,220)	(369,206)	(324,575)	(282,190)
Total liabilities	(854,123)	(807,914)	(762,962)	(726,030)	(689,390)	(651,625)	(612,014)	(571,469)	(527,511)	(484,829)
Net assets	2,801,628	2,901,599	2,998,994	3,103,171	3,213,851	3,330,042	3,451,863	3,570,988	3,701,548	3,841,131
<i>Reserves and Retained profit</i>										
General Fund	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856
Housing Revenue Account	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808
Statutory and other reserves	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102
Capital receipts reserve	-	-	-	-	-	-	-	-	-	-
Capital grants unapplied account	97	97	97	97	97	97	97	97	97	97
Retained profits	2,085,911	2,233,402	2,378,983	2,532,029	2,692,278	2,858,755	3,031,598	3,202,499	3,385,607	3,578,532
Unusable reserves	615,854	568,334	520,148	471,279	421,710	371,424	320,402	268,626	216,077	162,736
Total reserves and retained profits	2,801,628	2,901,599	2,998,994	3,103,171	3,213,851	3,330,042	3,451,863	3,570,988	3,701,548	3,841,131

£'000	31-Mar-47	31-Mar-48	31-Mar-49	31-Mar-50	31-Mar-51	31-Mar-52	31-Mar-53	31-Mar-54	31-Mar-55	31-Mar-56
<i>Non-current assets</i>										
Property, plant and equipment (incl. WIP)	2,655,767	2,652,733	2,650,816	2,658,317	2,672,610	2,687,716	2,707,796	2,727,920	2,748,082	2,768,275
Heritage assets	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092
Investment property	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937
Intangible assets	31	31	31	31	31	31	31	31	31	31
Long-term investments	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061
Trade and other receivables	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531
Total non-current assets	2,950,419	2,947,385	2,945,468	2,952,969	2,967,262	2,982,368	3,002,448	3,022,572	3,042,734	3,062,927
<i>Current assets</i>										
Cash, cash equivalents and short-term investments	1,354,035	1,472,570	1,590,148	1,718,465	1,856,680	2,003,983	2,160,761	2,314,768	2,490,339	2,614,068
Trade and other receivables	119,881	121,791	123,753	125,751	127,803	129,886	132,053	134,245	133,754	135,949
Inventory	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674
Assets held for sale	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429
Total current assets	1,481,019	1,601,464	1,721,005	1,851,320	1,991,586	2,140,972	2,299,917	2,456,116	2,631,196	2,757,120
Total assets	4,431,438	4,548,849	4,666,473	4,804,289	4,958,848	5,123,340	5,302,365	5,478,689	5,673,930	5,820,047
<i>Current liabilities</i>										
Trade and other payables	(154,573)	(157,146)	(160,815)	(162,450)	(165,212)	(168,035)	(170,926)	(175,068)	(176,809)	(179,851)
Borrowings - general	(40,126)	(40,403)	(40,150)	(41,017)	(38,638)	(36,055)	(36,168)	(5,098)	(3,721)	-
Provisions	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)
PPP liabilities	-	-	-	-	-	-	-	-	-	-
Accumulated absences account	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)
Grant receipts in advance - revenue	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Grant receipts in advance - capital	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total current liabilities	(206,187)	(209,037)	(212,453)	(214,955)	(215,338)	(215,578)	(218,582)	(191,655)	(192,018)	(191,339)
<i>Non-current liabilities</i>										
Trade and other payables	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)
Borrowings	(234,903)	(198,807)	(162,403)	(124,533)	(88,390)	(54,137)	(19,028)	(14,203)	(10,483)	(10,483)
Provisions	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)
PPP liabilities	-	-	-	-	-	-	-	-	-	-
Pension liabilities	(1,791)	-	-	-	-	-	-	-	-	-
Total non-current liabilities	(238,166)	(200,279)	(163,875)	(126,005)	(89,862)	(55,609)	(20,500)	(15,675)	(11,955)	(11,955)
Total liabilities	(444,353)	(409,316)	(376,328)	(340,960)	(305,200)	(271,187)	(239,082)	(207,330)	(203,972)	(203,293)
Net assets	3,987,085	4,139,533	4,290,145	4,463,329	4,653,648	4,852,153	5,063,282	5,271,359	5,469,958	5,616,754
<i>Reserves and Retained profit</i>										
General Fund	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856
Housing Revenue Account	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808
Statutory and other reserves	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102
Capital receipts reserve	-	-	-	-	-	-	-	-	-	-
Capital grants unapplied account	97	97	97	97	97	97	97	97	97	97
Retained profits	3,778,638	3,986,071	4,191,450	4,410,905	4,641,651	4,880,739	5,128,469	5,374,112	5,611,268	5,435,175
Unusable reserves	108,584	53,599	(1,168)	(47,439)	(87,866)	(128,448)	(165,050)	(202,617)	(241,173)	81,716
Total reserves and retained profits	3,987,085	4,139,533	4,290,145	4,463,329	4,653,648	4,852,153	5,063,282	5,271,359	5,469,958	5,616,754

APPENDIX 5 – GROWTH ITEMS

Cost Pressures 17/18 (£000)								
	Communities Housing & Infrastructure	Corporate Governance	Integrated Joint Board	Education & Children's Services	Office of Chief Executive	Trading	Council Wide	Total
Originally Modelled Pressures								
Previous Years Savings	6			(485)		(176)	11	(644)
Contractual:								
Staff Increments	526	366		1,755	23	60		2,732
Pay Award							3,418	3,418
Elections					390			390
A96 Park & Choose	83							83
Zero Waste Strategy	204							204
Insurance Contract							300	300
	813	366	0	1,755	413	60	3,718	7,127
Assumed Contractual								
Children's Social Work - commissioned services 1%				120				120
Managed Wi-Fi - Renewal of contract		200						200
Apprenticeship Levy							910	910
	0	200	0	120	0	0	910	1,230
Demographic								
Demographics - Pupil Numbers				150				150
	0	0	0	150	0	0	0	150
Other Cost pressures								
Running Costs New Schools				140				140
Rate revaluation	2						1,763	1,765
Provision for Bad Debts							370	370
Reversal 1 Year Funding				(306)	(100)		107	(299)
Investment in fleet to ensure saving	400							400
Provision of meals during school holidays	90							90
Loss of income due to reduction in DWP admin grant		60						60
	492	60	0	(166)	(100)	0	2,240	2,526
Ongoing Cost Pressures								
Out of Authority Placements				3,012				3,012
	0	0	0	3,012	0	0	0	3,012
Other Budget Changes								
Reduction to Budget				(3,090)				(3,090)
Ring Fenced Expenditure								2,725
Budget Transfers	(4)	4	103	(103)				
	(4)	4	(2,987)	(103)	0	0	0	(365)
Total (Expenditure)	1,307	630	(2,987)	4,283	313	(116)	6,879	13,152
Loss of Income								
Planning Application & Building Warrant Income Levels	857							857
Loss of income due to end of right to buy scheme		90						90
Funding Amendments								
Reduction in Scottish Government Funding							13,096	13,097
Council tax - increase in number of households							(1,200)	(1,200)
Council tax - multiplier							(5,911)	(5,911)
New Ring Fenced Income								(2,725)
Total (Income)	857	90	0	0	0	(116)	5,985	4,092
Total Cost Pressures	2,164	720	(2,987)	4,283	313	(232)	12,864	17,244

Appendix 6 (cont)

Helen Shanks	SO16	Redesign of Pupil Support	(325)	(325)	(325)	(325)	(325)	Medium
Richard Sweetnam	SO6	Renegotiate Contracts with Visit Aberdeenshire	0	(100)	(100)	(100)	(100)	Medium
Fraser Bell	SO141	Planning Agreement Fees	(11)	(11)	(11)	(11)	(11)	Medium
Euan Couperwhite	SO7	Reduce Expenditure on Consultancy Services & Agency Staff	(500)	(500)	(500)	(500)	(500)	Medium
Euan Couperwhite	SO9	Energy Efficiency	(720)	(720)	(720)	(720)	(720)	Medium
John Quinn	SO1	Increased Income Generation from Building Services Trading Account	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	Medium
John Quinn	SO102	Income generation by charging staff for parking at work establishments	(200)	(200)	(200)	(200)	(200)	Medium
Andrew Griffiths	SO113	Leased Asset Maximisation - Beach Ballroom	(324)	(324)	(324)	(324)	(324)	Medium
Andrew Griffiths	SO125	Childcare Service to become self funding	(100)	(100)	(200)	(300)	(400)	Medium
Steve Whyte	SO56	Investment in More Council Tax Staff to Bring in More Income	(200)	(200)	(200)	(200)	(200)	Medium
Ewan Sutherland	SO95	Accord Card - charge for replacement cards	0	(70)	(70)	(70)	(70)	Medium
John Quinn	SO98	Bring School Catering to Cost Neutral position	(400)	(400)	(400)	(400)	(400)	Medium
Mark Reilly	SO15	Waste Service Review	(303)	(453)	(453)	(453)	(453)	Medium
Mark Reilly	SO42	General Grass/Street Cleaning Reduction	(204)	(264)	(264)	(264)	(264)	Medium
Andrew Griffiths	SO85	Review of the Library Provision	(500)	(500)	(500)	(500)	(500)	Medium
Euan Couperwhite	SO116	Review of staffing with a view to allowing VS/ER where appropriate	(4,000)	(6,000)	(6,000)	(6,000)	(6,000)	Medium
Euan Couperwhite	SO117	Introduce a new working week of 35 hours for new employees	(900)	(900)	(900)	(900)	(900)	Medium
Euan Couperwhite	SO19	Delivery of Business Support Services/Digitisation Programme - Transformation Activity	(3,000)	(6,000)	(6,000)	(6,000)	(6,000)	Medium
Euan Couperwhite	SO86	Restructure Central Support (PPR)	(229)	(229)	(229)	(229)	(229)	Medium
John Quinn	SO10	Property Asset Rationalisation	(143)	(95)	(327)	(327)	(327)	Low
John Quinn	SO2	Leased Income Maximisation - Marischal College	0	(150)	(300)	(300)	(300)	Low
Richard Sweetnam	SO5	Advertising Concession Contract with Single City Wide Provider	0	(250)	(250)	(250)	(250)	Low
Andrew Griffiths	SO68	Creation of Culture ALEO (NDR Saving on Libraries and Museums)	0	(300)	(300)	(300)	(300)	Low
Mark Reilly	SO134	Review and reduce overtime budgets under the remit of the Head of Service for Public Infrastructure &	(250)	(250)	(250)	(250)	(250)	Low
			(31,899)	(40,363)	(46,100)	(49,285)	(52,520)	

APPENDIX 7		
LIB SUMMARY 2017/18	£000	
Adult Services Revenue Budget (2016/17) (Gross)	128,257	
Housing Element (2016/17)	1,861	
	130,118	
Adjust: Inter council adjustments (see below)	103	
Less: Cash reduction from ACC (share of £80M)	(3,090)	
2017/18 Funding allocated to Aberdeen City Health and Social Care Partnership (Gross)	127,131	
Represented by:		
Housing Element	1,861	
Adult Services	125,270	
ADDITIONAL INFORMATION	£000	£000
2016/17 Revenue Budget		130,118
Inter Council Adjustments		
Element of training transferred from BAC to Children's Services	(116)	
Admin staff transferred from E&CS	219	103
Growth Pressures identified for 2017/18:		
Staff Increments and Pay Awards	519	
Apprenticeship Levy (0.5%)	90	
National Care Home Contract Inflation (still under negotiation)	912	
Living wage pressure - additional 6 months of funding to providers	1,600	
Living wage - move from £8.25 to £8.45 from 1 May 2017	1,145	
Sleepovers (under review)	1,113	
War pension income - disregarded	18	
Carers Bill - preparation cost	78	
Bon Accord Care (inflation)	255	
Energy and Business Rates increases	31	
Investment in approved revised HSCP structure *	495	6,256
Absorb from Integration and Transformation Fund:		
National Care Home Contract Inflation (still under negotiation)	(912)	
Living wage pressure - additional 6 months of funding to providers	(1,600)	
Living wage - move from £8.25 to £8.45 from 1 May 2017	(1,145)	
Sleepovers (under review)	(1,113)	
Carers Bill - preparation cost	(78)	
War pension income - disregarded	(18)	
Investment in approved revised HSCP structure *	(495)	(5,361)
Budget Savings		
Various on-costs on commissioned services	(315)	
Reduce out of authority placements	(125)	
Direct payment - reduce contingency levels	(200)	
Review every package of care	(400)	
Look to work in collaboration with other Councils to reduce costs of expensive packages	(50)	
Speed up financial assessment process	(100)	
Income generation	(350)	
Self directed support	(59)	
Remove historic underspends	(70)	
Outreach team not filled	(280)	
Training and Overtime	(103)	
Review of parking	(60)	
Review and assessment of the Partnership overall management model	(560)	
Proactive Vacancy Management	(418)	(3,090)
Proposed use of Integration and Transformation Fund		(895)
2017/18 Funding allocated to Aberdeen City Health and Social Care Partnership		127,131
	Represented by: Adult Social Care	125,270
	Housing	1,861
Income		(41,962)
Net Transfer		85,169
* Approval has been given by the Integration Joint Board, at its meeting in April 2016, for a new senior management structure within the Health and Social Care Partnership. This is to enable the transformation and support the focus on transformation and locality working. Given the current scheme of delegation, approval from ACC is also required to establish new structure. Whilst these posts may be established in either NHS or ACC, the full effect is being presented. This is the full amount that may have to be charged against the Integration and Transformation Fund. It should be noted that not all of these posts will necessarily be filled by Council employees, as where posts are open to both employers, it may be that posts are filled by NHS Grampian employees and thus established there.		

Appendix 8 BUDGET PROTOCOL BETWEEN ACC, NHS GRAMPIAN AND THE ABERDEEN IJB

BACKGROUND

With the inception of the Aberdeen City IJB in February 2016, Aberdeen City and NHS Grampian budget setting approaches will need to be adapted to take cognisance of the IJB. It is important that the IJB is allowed to undertake the duties that have delegated to it by the council and the health board under the Public Bodies (Joint Working) (Scotland) Act 2014. In accordance with the spirit of the legislation the council and the health board will no longer decide upon the strategic priorities for the delivery of delegated health and social care services, rather this will be the responsibility of the IJB.

However, the council and the health board will contribute a very substantial sum of money to the IJB and on this basis it is clearly important to give confidence to all elected members of council and board members of NHS Grampian about the types of services and strategic planning that the IJB will be considering. Through an agreed approach, it is hoped that the council and the health board will feel able to agree and support the strategic priorities of the IJB and budget appropriately for the money required for the IJB.

In the spirit of fostering closer pan public working it should however be borne in mind that both parent bodies (the partner organisations) do have significant legal responsibilities. In relation to the Council it has a statutory requirement to set a balanced budget each year and therefore this statutory obligation will take precedent as defined in the Local Government (Scotland) Act 1973 and other subsequent legislation. NHS Grampian is also expected by the Scottish Government Health Department to set a balanced budget each year.

There is a complexity to the IJB role that is important to understand. It identifies its strategic priorities and identifies the resource required to deliver these priorities and in theory then sets a direction to both of its partners (ACC and NHS Grampian) to fully fund these priorities. Of course, in reality, both partner organisations have many calls on their resource and will be unable to simply fund a set of priorities. The reality of this new complexity demands that the executive team of the IJB are fully aware of the financial pressures being faced by both partner organisations and that the articulation of priorities for funding purposes is done in partnership/negotiation with the executives of both partner organisations. Without such an approach, the risk to all parties is that a settled budget cannot be agreed.

In all of the complexity of the model, the key to success is that we maintain the sense of “we” that has been a feature to date i.e. -we are all in this together. Collaboration by definition requires a “we” that encompasses all relevant perspectives to enhance solutions and decisions. Expanding our sense of “we” involves building cooperative, collaborative, mutual working relationships by linking our ideas together to create something better than any of us could have done individually. It is important to create this sense of collaboration through building a collaborative approach to budgeting.

Stage 1 : EXECUTIVE ENGAGEMENT

i) Principle of Openness , Transparency and Engagement

It is important that an open book approach is taken across all 3 executive teams and that business is conducted on a “no surprises” basis. The ability of the IJB executive team to be sighted and involved in the respective budget processes and work in both organisations is essential.

ii) Approach to savings

There are 2 elements of engagement required. Firstly, the executive team of the IJB needs to manage the integration of thinking about cost savings between delegated NHS services and the city council adult services. Part of the rationale for integration of the systems is that it will drive out financial savings as a result of the elimination of duplication and waste between the 2 systems. Of course, historically, the 2 systems are only familiar with realising single system savings and so the management team will need to be very systematic in the identification of duplication and waste over the 2 systems. Secondly, of course, the IJB does not sit in isolation – it is part of the wider systems of ACC and NHS Grampian as well as being part of the whole Aberdeen “place” system. It is therefore critical that the IJB executive and management teams, engage with the wider systems of the ACC and NHS Grampian to identify scope for synergies and thus savings across these wider systems and also to ensure there are no unintended consequences on these wider systems from the saving decisions of the IJB, or on the IJB from cost reduction decisions taken by the Partners. Unless this wider engagement takes place, we are at risk of having created just another silo through the IJB

iii) Timing of Engagement

Engagement is critical throughout but critically important before the budget papers are formally presented to the council, any NHS forum and the IJB. It's important that the timings of these meetings and the associated disclosure is synchronised. Once the Scottish Government settlements for both partner organisations is known, including the details of any “conditions”, it is critical that the 2 CEO's, Chief Officer (Joint Accountable Officer) and 3 CFOs come together in order to navigate the IJB's priorities into a funding award based on the available resource to the parent bodies.

STAGE 2 MANAGING THE IJB BUDGET REQUEST THROUGH THE GOVERNANCE SYSTEMS OF ACC, NHS GRAMPIAN AND THE IJB

The IJB is essentially 100% funded by its 2 partner organisations, a not dissimilar situation from the ALEOs within ACC's group structure. The levels of savings required by any of the council's ALEOs are identified within the budget option papers presented to council but the exact details of how the target level of savings will be achieved are not identified. This approach has attempted to respect the role of the ALEO board in terms of its responsibilities to scrutinise such proposals and to then be the decision maker in terms of which savings options to accept. This approach has meant that these options have not been transparent to council and ultimately to the public at large. The scale of the IJB is vastly bigger than all the council's ALEOs put together and if we adopted the same approach to the IJB as we currently take to the ALEOs then effectively members would have no oversight of the specific saving options being considered.

In attempting to navigate a way through the complexity of roles and responsibilities in terms of decision making within the landscape of the IJB, it is important to pursue openness and transparency whilst respecting the distinct decision making rights of the IJB.

A suggested way forward is: the executive team of the IJB participate in the council's political engagement with all political groups and this will involve being open and transparent in all the budget options the executive team are considering presenting to the IJB. Members will need to respect that these options are being shared with them for information as opposed to for decision making. This represents the pre-budget setting engagement. At the formal budget setting council meeting, again there will be full disclosure of the proposed IJB budget options along with a reminder that these are being included for information and not debate or decision-making. Council will be required, as part of its overall budget, to determine the funding it can provide to the IJB and to formally agree that. It should be noted that this must be done in the context of the council setting a balanced budget by law and is still accountable for the disbursement of funds.

In light of the funding award from ACC and NHS Grampian, the executive team will then finalise the budget with the IJB who will have already made a decision in principle on which budget options to accept, pending final settlement and funding allocation from the 2 partner organisations. Given the minute of the IJB is now included as part of the CEO's progress report to council on the IJB, members will be informed of which options the board finally accepted.

This recommended approach serves the objective of openness and transparency whilst respecting the new decision making responsibilities of the IJB board.

SPECIFIC TIMESCALES FOR 17/18

Council is statutorily required to set its budget by 11th March each year. Of course, this is subject to having received its grant allocation from Scottish Government

For the 17/18 budget cycle, the following governance meetings are scheduled, with the described business:

- Aberdeen City Council – 22 February 2017 and within that budget will be an allocation for the IJB and will include a presentation of the budget options to be considered by the IJB board
- NHS Grampian - The IJB will receive an allocation from NHS Grampian which will be confirmed following confirmation of the NHS Board health allocations. Indicative allocations have been made in terms of baseline funding and Chief Officers advised accordingly. Details on other allocations will be presented to the Chief Officer when confirmed by Scottish Government. A detailed finance plan showing how the IJB will operate within the resources allocated by the partner organisations will be presented to the NHS Grampian Accountable Officer for review and assurance. Appropriate monitoring arrangements will be implemented to enable the NHS Grampian Accountable Officer to seek assurances on financial performance throughout the financial year.
- The IJB will agree an outline decision in principle on budget options at its meeting of the 31st of January 2017 and make a formal agreement and set a direction at its meeting in March 2017.

Appendix 9 – Options for a Non-Domestic Rates Relief

1. PURPOSE OF REPORT

The purpose of the report is for Elected Members to consider a hardship relief scheme on Non-Domestic Rates.

2. RECOMMENDATION(S)

Recommendations are contained within the body of the report.

3. LEGAL ISSUES

Legislation

Section 3A of the Local Government (Financial provisions etc.) (Scotland) Act 1962 (as amended by section 140 of the Community Empowerment (Scotland) Act 2015) allows the local authority, acting as rating authority under section 30 of the Local Government etc. (Scotland) Act 1994 to reduce or remit any rate leviable by it in respect of lands and heritages.

Any reduction or remission ceases to have effect at such time as may be determined by the rating authority.

Section 3A(4) states that the NDR scheme may make provision for business rates to be reduced or remitted by reference to:

- a) categories of land and heritage;
- b) areas;
- c) activities; or
- d) any other matters as may be so specified in the scheme.

The implication of section 3A(4) is that the local authority, acting as rating authority has wide discretion with regards to the terms of the scheme, subject to the scheme having clear, practicable and robust criteria for practitioners and ratepayers in order to ensure fairness and transparency.

Any reduction or remission ceases to have effect on a change in the occupation of the lands and heritages of which it was granted.

Before exercising the power to introduce a scheme, the local authority, acting as rating authority, must have regard to its income and expenditure and the interests of persons liable to pay council tax set by it (section 3A(6)).

Appeals against decisions of Assessors

Rate payers may appeal against their revaluation within 6 months of the date of issue of the Valuation Notice or the 30 September 2017, whichever is later.

The last date for the disposal of appeals from the 2017 revaluation is 31 December 2020 (Valuation Timetable (Scotland) Order 1995/164 as amended by the Valuation Timetable (Scotland) Amendment order 2015/51.

Section 9 of the Local Government (Scotland) Act 1975 states that rates must be paid until the determination of the appeal. Therefore, the need for immediate relief may be required by some rate-payers. It is foreseeable that if there is a high volume of appeals, decisions from the Valuation Appeals Committee may be delayed.

State Aid

State aid is financial assistance, given by the public sector to an “undertaking” (i.e. an entity which is engaged in “economic activity” where there is a market in comparable goods or services) on a discretionary basis, which has the potential to distort competition and affect trade between Member States of the European Union. “Economic activity” means offering goods and/or services on a given market and which could, at least in principle, be carried out by a private operator for remuneration in order to make profits. A company, partnership, sole trader or even a charity could be an “undertaking” for state aid purposes.

State aid is generally prohibited subject to certain exemptions.

In the event that the rules on state aid apply a recipient of financial assistance is permitted to receive up to €200,000 over a 3 year fiscal period (de minimis aid). The €200,000 ceiling includes all public assistance given as de minimis aid during that period. The eligibility criteria of the scheme could mitigate the risk of the rules on state aid applying by requiring the applicant to disclose all sources of public assistance received over the current and two preceding fiscal years when making an application.

It is standard practice that schemes, whereby the local authority proposes to provide financial assistance to undertakings, are passed to the Scottish Government State Aid Unit for further analysis. Discussions are ongoing with the State Aid Unit and officers will be in a position to update Members at the Council budget meeting on 22 February 2017 with the view from the State Aid Unit.

FINANCIAL IMPLICATIONS

The Council was provided a draft valuation roll from the Grampian Joint Valuation Assessor which provided rateable values for the valuation roll by individual entry (i.e. property) and showed that the rateable value for Aberdeen City will increase from the current roll of £480 million to approximately £584 million.

The Council has had to rely on this data in assessing any local scheme and it should therefore be noted that the quantifiable financial impact on Council is based on draft data and could be subject to change. Further, until the data can be uploaded into the NDR System exact details on impact cannot be verified.

However, the financial assessment carried out is likely to be costed in the higher cost bracket rather than the lower end. Depending on the final option chosen the cost to the Council will vary from an income generating £0.42 million (Option 2) to a cost of £26.7 million (Option 3).

Under the Community Empowerment Act if the Council decides to implement a local relief scheme the Council must ensure that any reduction is fully funded by the local authority and before exercising the power to create such a scheme, it must have regard to its expenditure and income and the interests of persons liable to pay council tax set by it.

Therefore, in determining the Council's General Fund budget the cost of any scheme must be included within the overall budget to ensure that the Council sets a balanced budget.

4. OTHER IMPLICATIONS

The cost pressure associated with the introduction of such a scheme has not been factored in to the cost pressures shown in Appendix 5, and if Council elects to introduce such a scheme, it will need to select service options from Appendix 6 to offset this cost pressure. Given that the Council has only received a one year settlement, officer advice would be that Council considers on an annual basis whether it wishes to continue with such a scheme.

5. BACKGROUND

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

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

According to ONS data there are 10,040 enterprises occupying 11,775 business units, supporting an estimated 188,000 jobs in Aberdeen. This equates to a working age employment density of 1.2 jobs per resident person well above the Scottish average of 0.79, and the highest in Scotland. Officers have undertaken an analysis of Council records and the Assessor's records of current rateable properties and their rateable value:

- Currently 1,810 businesses receive 100% rates relief while 564 receive partial rates relief. From 1 April 2017, we estimate around 2,000 businesses could receive 100% rates relief and 300 could receive partial rates relief.

- 2,648 businesses currently pay larger business supplement (LBS). From 1 April, LBS threshold rises from a rateable value of £34,000 to £51,000. We estimate this will reduce the number of businesses paying the LBS to around 2,300-2,400.
- From 1 April, rateable value of properties in Aberdeen will increase by 21.6% or £103.7m. Within this, the sectors with some of the largest increases in rateable values, with the corresponding estimated employment in these sectors shown below.

Category	£ Increase in Rateable Value	% Increase in Rateable Value	Number of Employees (ACC estimated, SIC)
Hotels	£5.0m	35%	3,000
Restaurants	£0.9m	13%	8,250
Public House	£1.1m	19%	1,750
Offices	£19.7m	19%	45,000
Shops	£4.5m	11%	13,000
Universities / Colleges	£1.5m	21%	4,000
Car Parks	£1.9m	51%	100
Serviced/Non-Serviced Accommodation	£3.2m	142%	200
Warehouse and Workshops	£29.6m	38%	5,000
	£67.4m		80,300

Broadly this indicates an upward cost pressure on local businesses, with some individual companies that are facing significant increases to their bills going forward. Potentially a response to these increased costs could see employment losses as businesses seek to contain these pressures. This could be mitigated by a local relief scheme for those businesses that are materially affected by their increased bills.

Population

The Assessor's records are based on the number of business properties and the corresponding postal address. In full, there are 8,645 records. For the purposes of the analysis, we assume that in general terms, a 'business property' equates to a 'business'. From the larger data base, we have adjusted this as follows:

- 504 Oil and Gas companies have not been included in the general scheme option. However recognising the international dimension of these companies, a separate option for these companies oil and gas companies is discussed (options 10a-c).
- The 4,205 properties with proposed rateable values below the £15,000 threshold for entitlement to full relief have been excluded from this analysis and therefore any relief scheme (this is likely to include charities and many other publically owned properties). This number is greater than the 1,810 businesses currently receiving 100% rates relief as rates liability is cumulative so a lot of the smaller entries for property in the assessor data are added into the main businesses entries. For example, roundabouts all get added to the Council's main entry so are not considered for rates relief as cumulatively they exceed the relief threshold.
- Having excluded oil and gas companies and properties already entitled to full rates relief this leaves 3,916 properties in the analysis.

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

When the final assessor data is made available, and officers upload that into the Council's Non-Domestic Rates system, we will be able to identify and exclude such businesses, so these estimates should be treated as broad upper end estimates. Multiple ownership information would also then be available.

Because the assessor dataset is based on postal address, we do not have precise information on the corresponding business name, and the industry sector they operate in. Within the 'offices' category in the data set, this may include a range of businesses operating in different industry sectors. With the final assessor data available, further analysis would allow officers to understand better the nature of companies in this broad category that would benefit from any scheme.

Options for a Transitional Relief Scheme

From the analysis above, a number of possible options for a relief scheme emerge. These are summarised in the table below with an estimated annual cost to the Council and an estimate of the business properties that could be included in a scheme.

For each option, we have assumed that maximum assistance of €200,000 under the State Aid 'de minimis' rules is applied. Therefore the estimates below assume that all awards under a potential scheme would be 'eligible' from a State Aid perspective. However, as the State Aid threshold also includes any other awards from public sector sources, we have not accounted for this.

In addition to determining the scope of the scheme as per the range of options provided, Council will also have to determine specific eligibility criteria

Eligibility Criteria

The eligibility criteria listed below are indicative of the conditions that could be applied to applications for NDR relief. Additional advice should be sought from the Scottish Government State Aid Unit if the scheme is deemed subject to state aid rules to ensure the eligibility criteria is in compliance with the *de minimis* rule (i.e. aggregate public funds including relief provided from the scheme do not exceed €200,000):

- a) The recipient is liable to pay non-domestic business rates to Aberdeen City Council.
- b) The recipient is required to mitigate its losses by appealing its re-evaluation to the Valuation Appeal Committee and providing adequate evidence to satisfy Aberdeen City Council that they have done so.

- c) Eligibility for the relief will apply from the date of application and not retrospectively.
- d) The recipient is required to disclose all sources of public assistance received over the three years preceding the application. Recipients will not be eligible for the relief scheme if they have received €200,000 of public assistance over the three years preceding the application. Recipients may only be eligible for partial relief, if they have received public assistance over the three years preceding the application, not exceeding €200,000 of the aggregate public assistance received from all sources.
- e) In the event that the recipient successful in their appeal to the Valuation Appeal Committee any overpayment plus interest must be offset against any relief received between the date of application for relief and the date of the Committee decision.

Other criteria to be considered include:

- Review of management accounts as evidence of hardship
- Historical performance – has the company a good record and is up-to-date with payments of NDR;
- Based on precedent of previous applications in England and Scotland, the applicant would need to provide evidence that:
 - The circumstances are deemed to be exceptional (external to the ratepayer, beyond the normal business risk, unavoidable and unforeseen);
 - That those exceptional circumstances have result in hardship;
 - The business will remain viable;
 - Any award is fair to other businesses;
 - It is reasonable to expect the Council Tax Payers to cover the cost.

Table: Non-Domestic Rates Transitional Relief Scheme – Options for determining the parameters of the scheme

Option	Description	Annual Financial Implications	Number of Properties Affected (total eligible properties 3,916)	Rationale
Option 1a	Raise the full relief Small Business Bonus Scheme threshold from £15k to £17k	£1.9m	255 (7%)	All categories/ sectors included Only properties with lower rateable values included
Option 1b	Raise the 25% Small Business Bonus Scheme partial relief threshold from £18k to £23k	£1.1m	451 (12%)	All categories/ sectors included Only properties with lower rateable values included
Option 2	Lower the Larger Business Supplement to £40k from the proposed £51k	(£0.42m) - revenue	362 (9%)	All categories/ sectors included
Option 3a – increase in rates bill of over 30%	Provide 100% relief on the increase	£26.7m	1,503 (38%)	All categories/ sectors included Only those with largest % increases included Greater coverage
Option 3b - increase in rates bill of over 30%	Provide 50% relief on the increase	£13.5m	1,503 (38%)	All categories/ sectors included Only those with largest % increases included Greater coverage

Option	Description	Annual Financial Implications	Number of Properties Affected (total eligible properties 3,916)	Rationale
Option 3c - increase in rates bill of over 30%	Provide 25% relief on the increase	£6.7m	1,503 (38%)	All categories/ sectors included Only those with largest % increases included Greater coverage
Option 4a – increase in rates bill of over £50,000	Provide 100% relief on the increase	£13.3m	144 (4%)	All categories/ sectors included Only those with largest £ increases included Less coverage
Option 4b – increase in rates bill of over £50,000	Provide 50% relief on the increase	£7.0m,	144 (4%)	All categories/ sectors included Only those with largest £ increases included Less coverage
Option 4c – increase in rates bill of over £50,000	Provide 25% relief on the increase	£3.5m	144 (4%)	All categories/ sectors included Only those with largest £ increases included Less coverage

Option	Description	Annual Financial Implications	Number of Properties Affected (total eligible properties 3,916)	Rationale
Option 5a – increase in rates bill of hotels, guest houses, restaurants and pubs of over 30%	Providing 100% relief on the increase	£2.5m	181 (5%) (Being hotels & guest houses 127, restaurants 14, pubs 40)	Only the defined hospitality sector is part of the relief scheme
Option 5b – increase in rates bill of hotels, guest houses, restaurants and pubs of over 30%	Providing 50% relief on the increase	£1.3m	181 (5%) (Being hotels & guest houses 127, restaurants 14, pubs 40)	Only the defined hospitality sector is part of the relief scheme
Option 5c – increase in rates bill of hotels, guest houses, restaurants and pubs of over 30%	Providing 25% relief on the increase	£0.6m	181 (5%) (Being hotels & guest houses 127, restaurants 14, pubs 40)	Only the defined hospitality sector is part of the relief scheme
Option 6a – increase in rates bill of shops of over 30%	Providing 100% relief on the increase	£2.5m	407 (10%)	Only shops are part of the relief scheme.
Option 6b – increase in rates bill of shops of over 30%	Providing 50% relief on the increase	£1.2m	407 (10%)	Only shops are part of the relief scheme.

Option	Description	Annual Financial Implications	Number of Properties Affected (total eligible properties 3,916)	Rationale
Option 6c – increase in rates bill of shops of over 30%	Providing 25% relief on the increase	£0.6m	407 (10%)	Only shops are part of the relief scheme.
Option 7 – ‘Hybrid’ (1a and 3c combined)	Combination of increased relief for small business plus other businesses with an increase in rates bill of over 30%	£8.6m	1,758 (45%)	All categories/ sectors included Only those with largest % increase and lower rateable values are part of the relief scheme.
Option 8 – ‘Hybrid’ (3c and 4c combined)	Combination of businesses with an increase in rates bill of over 30% or increase in rates bill of over £50k or both	£8.3m	1,592 (41%)	All categories/ sectors included Broadest definition of large increases included. All those with largest £ increases or those with largest % increases or both included Greater coverage
Option 9 – increase in rates bill of 30%	Limiting any proposed increases in rates bills to 30% of the current value	£10.4m	1,503 (38%)	All categories/ sectors included
Option 10a – Oil & Gas increase in rates of over 30%	Providing 100% relief on the increase	£2.9m	66 (13% of oil and gas companies)	Only oil and gas companies are part of a relief scheme.

Option	Description	Annual Financial Implications	Number of Properties Affected (total eligible properties 3,916)	Rationale
Option 10b – Oil & Gas increase in rates of over 30%	Providing 50% relief on the increase	£1.4m	66 (13% of oil and gas companies)	Only oil and gas companies are part of a relief scheme.
Option 10c – Oil & Gas increase in rates of over 30%	Providing 25% relief on the increase	£0.7m	66 (13% of oil and gas companies)	Only oil and gas companies are part of a relief scheme.

6 IMPACT

IMPACT ON COUNCIL TAX PAYER

As previously indicated if the Council decides to implement a local relief scheme the Council must ensure that any reduction is fully funded by the local authority and before exercising the power to create such a scheme, it must have regard to its expenditure and income and the interests of persons liable to pay council tax set by it.

In assessing the impact it should be noted that the Scottish Parliament passed legislation which will increase the Council tax bands E to H and these households will therefore be liable to additional Council Tax for the financial year 2017/18. This will impact these bands as follows:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Current Charge	820.26	956.97	1,093.68	1,230.39	1,503.81	1,777.23	2,050.65	2,460.78
Revised Charge	820.26	956.97	1,093.68	1,230.39	1,616.60	1,999.38	2,409.51	3,014.46

Further, in setting the budget for 2017/18 Council should have regard to its proposals to set a balanced budget as set out in the main body of the report to which this report is an Appendix.

Likely impacts will include:

- Any saving option to which the Council may wish to approve;
- Any Council Tax increase that it may choose to approve. Please note that the conditions attached to the financial settlement indicate that any increase to Council tax should not exceed 3%. The impact of this on Council tax payers by Band is:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Current Charge	820.26	956.97	1,093.68	1,230.39	1,503.81	1,777.23	2,050.65	2,460.78
Revised Charge with Multiplier and 3% Increase	844.87	985.68	1,126.49	1,267.30	1,665.09	2,059.37	2,481.80	3,104.89

IMPACT ON THE NON-DOMESTIC RATE PAYER

A relief scheme could help by mitigating against some of the increases in costs that businesses face as a result of the large increases in NDR.

7. MANAGEMENT OF RISK

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

Legal challenge to the scheme

The NDR relief scheme (like any action of Aberdeen City Council) could be legally challenged by way of judicial review. For example, on the basis that sufficient regard to relevant factors, such as the interests of persons liable to pay council tax, have not been taken into account during the decision making process. The risk of challenge will be minimised by having due regard to the provisions of section 3A of the Local Government (Financial provisions etc.) (Scotland) Act 2015, and ensuring that Members are aware of the potential impact on council tax payers, in accordance with section 3A(6), when making a decision on implementing a relief scheme.

State Aid

If the rules on state aid apply and are breached there is the potential that: the aid payment could be halted; the recipient could be required to repay the aid, plus interest; aggrieved competitors may seek legal action for damages; or the EU Commission could commence infringement procedures against the United Kingdom possibly resulting in a fine. If, following advice from the Scottish Government State Aid Unit, it is concluded that the rules on state aid apply then further advice will be sought with a view to utilising the *de minimis rule* mentioned above.

Data

The Council has had to rely on draft assessor data in assessing any local scheme and it should therefore be noted that any figures or financial impact will be reliant on this draft data and will therefore change. Further, until the data can be uploaded into the NDR System exact details on impact cannot be verified.

6- EHRIA Summary and Action Planning				
Report Title	Budget process EHRIA – options affecting adults adversely.			
Assessment not required	Evidence			
Assessment completed	As a result of completing this assessment, what actions are proposed to remove or reduce any risks of adverse outcomes which were identified.			
Identified Risk and to whom:	Recommended Actions:	Responsible Lead:	Completion Date:	Review Date:
SO4 Review of Public Parking Charges: The city will have reduced accessibility as people who rely more heavily on their vehicles will not be able to afford the increased charges.	Free public transport for older adults and access to disabled inner city parking should help to mitigate this. A full review of parking charges will be undertaken to manipulate driving behaviours.	Mark Reilly	22/02/17	
SO94 Charging for activities run by the archivist: Adults who wish to access the archives are unable to do so.	This option increases access to records through the use of Ancestry.co.uk. Information will still be accessible through the usual channels.	Fraser Bell	22/02/17	
SO95 Accord Card - charge for replacement card: Older adults will not have access to free travel and discounted leisure because they are unable to pay replacement card fees.	The service will need to ensure that any fees are reasonable, initial scoping suggests fees between £6 and £7.	Ewan Sutherland	22/02/17	

<p>SO15 Waste Service Review: waste will not be collected, this may mean a build up of waste for those unable to dispose of it through other means</p>	<p>The service should ensure that waste collections remain adequate, with consideration given to a higher reliance upon recycling.</p>	<p>Mark Reily</p>	<p>22/02/17</p>	
<p>SO39 Review and target support for the Cultural Programme: There are reduced opportunity for adults to engage in cultural activities which improve their quality of life and enjoyment of the city in which they reside.</p>	<p>A review will be undertaken to ensure that those activities still in demand are not reduced or stopped.</p>	<p>Andrew Griffiths</p>	<p>22/02/17</p>	
<p>SO42 General Grass/Street Cleaning Reduction: This reduction reduces accessibility, particularly to those vulnerable to falling due to poor maintenance to streets, grounds and pathways.</p>	<p>In the short term prioritisation will need to be given to the activity that provides the most benefits to Aberdeen's citizens and visitors. In the long term a review of the structure of both services and staff will be undertaken to ensure continuation of a high standard of service.</p>	<p>Mark Reilly</p>	<p>22/02/17</p>	
<p>SO43 Close Public Toilets: Older adults or those adults more dependent on toilet facilities are unable to enjoy parks and open spaces due to a lack of toilet facilities.</p>	<p>Other provision of toilet facilities are sourced where possible, Council-run cafes and other facilities will provide toilets to the general public where located near parks and open spaces.</p>	<p>Mark Reilly</p>	<p>22/02/17</p>	
<p>SO85 Review of the Library Provision: Adults do not have access to a nearby library and the facilities</p>	<p>A full review will be undertaken to ensure that provision is aligned to demand.</p>	<p>Andrew</p>	<p>22/02/17</p>	

that it provides. E.g. support with job seeking and life-long learning.		Griffiths		
SO134 Review and reduce overtime budgets under the remit of the Head of Service for Public Infrastructure & Environment: A reduction in overtime leads to a reduction in service provision. The impact is felt across the city but vulnerable adults and older adults feel that impact more.	There will be a review of overtime and prioritisation will be given to areas that ensure that the city is accessible and safe for all. However, customers will inevitably see a difference in service provision.	Mark Reilly.	22/02/17	
SO19 Delivery of Business Support Services/Digitisation Programme - Transformation Activity: Customers who are not as digitally capable are unable to access vital services and support.	There will be provision made for those where digital communication is inappropriate.	Euan Couperwhite	22/02/17	
SO41 Outsource Catering in Museums & Art Gallery: ACC loses control over the pricing strategy for the catering within these facilities as a consequence some people are unable to enjoy food and drink in the cafes.	Negotiations with any organisation that wants to take over catering will take into account the need to provide affordability as well as profit.	Andrew Griffiths	22/02/17	

<p>SO49 Promote School Crossing patrol responsibilities to Unpaid Volunteers: Older people do not have the same level of opportunity to enter paid employment and are disadvantaged because of this.</p>	<p>ACC has found these roles difficult to recruit and it therefore appears that there is no great demand for the monetary benefit that these roles provide. Non-monetary benefits will still be provided by the Third Sector and those currently occupying these jobs will be offered voluntary severance or an alternative job.</p>	<p>John Quinn</p>	<p>22/02/17</p>	
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7: Sign off

<p>Completed by (Names and Services) :</p>	<p>Helen Valentine, Finance</p>
<p>Signed off by (Head of Service) :</p>	<p>Steven Whyte</p>
<p>Only sections 6 and 7 will be attached to the committee report</p> <p>The full EHRIA will be published on Aberdeen City Council's website under http://www.aberdeencity.gov.uk/xeq_EHRIA_Search.asp</p> <p>Please send an electronic format of the full EHRIA without signature to: SHoward@aberdeencity.gov.uk</p>	

6- EHRIA Summary and Action Planning				
Report Title	Budget options 17/18 – impact on children			
Assessment not required	Evidence			
Assessment completed	As a result of completing this assessment, what actions are proposed to remove or reduce any risks of adverse outcomes which were identified?			
Identified Risk and to whom:	Recommended Actions:	Responsible Lead:	Completion Date:	Review Date:
SO35 School Transport Redesign: Children with special needs are unable to attend school because they can not access suitable transport.	The Inclusion Review will assess children’s needs and match them with the transport that they require; therefore all children will have access to appropriate transport.	Eric Owens/ Helen Shanks	22/02/17	
SO49 Promote school crossing patrol responsibilities to unpaid volunteers: The standard of School Crossing Patroller decreases or there is not a sufficient amount of volunteers to provide a consistent service and as a consequence child safety is compromised.	Communities will be encouraged to take responsibility for child safety and there will be “safer routes to school” mapping done for children, parents and volunteers.	John Quinn	22/02/17	

<p>SO65 10% reduction to Sports Arms Length Organisations: Sporting facilities are reduced or prices are increased and therefore children have reduced or no access to adequate sports provision.</p>	<p>ALEOs will be consulted to ensure that they are supported in becoming more self-sufficient and open to transforming their services to deliver a similar level of service but more efficiently.</p>	<p>Euan Couperwhite</p>	<p>22/02/17</p>	
<p>SO127 Contribution to 17/18 savings from carry forwards: Schools are unable to purchase resources needed to teach the curriculum.</p>	<p>Schools will still be able to make essential purchases throughout 16/17 and 17/18; this should ensure that the curriculum is delivered.</p>	<p>Euan Couperwhite</p>	<p>22/02/17</p>	
<p>SO44 Aberdeen Learning Festival to become self funding: The Learning Festival deteriorates and teachers therefore do not have access to necessary training/ development, as a consequence they are unable to deliver the curriculum to a good standard.</p>	<p>Currently the likelihood of an inability to attract funding is deemed low. There will be engagement to ensure that funding is in place by February 2018 so that the festival can run. During third tier engagement 7 out of 11 respondents felt the festival could stop or become less frequent. This would suggest that the impact on teaching should there be problems in 17/18 would be low and further mitigation could be taken should issues arise to ensure delivery in 18/19.</p>	<p>Andrew Griffiths</p>	<p>22/02/17</p>	
<p>SO 98 School Catering Cost Neutral: Children do not receive the nutrition required from their parents/carers and as a consequence struggle to learn and become unhealthy.</p>	<p>There is a risk associated with reducing free food available to children; the emphasis will be on parents/carers to provide food for their children.</p>	<p>John Quinn</p>	<p>22/02/17</p>	

<p>SO125 Childcare service to be self funding: Some families are priced out of childcare, inhibiting some parent's/carer's ability to work and meaning that children from these families do not access the educational benefits from childcare.</p>	<p>Those children who are from low-income households will receive free childcare from the age of 2 years old. The charges will be gradually increased over 5 years to ensure parents aren't hit with a significant surge in fees.</p>	<p>Andrew Griffiths</p>	<p>22/02/17</p>	
<p>SO43 Close Public Toilets: Children are unable to use parks and open spaces because there are no toilets.</p>	<p>Within some of the city's parks the Council owns and operates restaurants with toilet facilities that would remain open. Other areas affected are in close proximity to shopping areas or restaurants that have toilet facilities available. Should this option be taken there will be areas of the city in which no toilets remain.</p>	<p>Mark Reily</p>	<p>22/02/17</p>	
<p>SO85 Review library provision: Children do not have access to libraries.</p>	<p>The main aim of this proposal is to bring library provision in line with demand. During the review, areas where there is a high demand for children to access a library will be identified and library provision designed with this in mind.</p>	<p>Andrew Griffiths</p>	<p>22/02/17</p>	

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6- EHRIA Summary and Action Planning				
Report Title	Budget options 17/18 - impact on employees			
Assessment not required	Evidence			
Assessment completed	As a result of completing this assessment, what actions are proposed to remove or reduce any risks of adverse outcomes which were identified?			
Identified Risk and to whom:	Recommended Actions:	Responsible Lead:	Completion Date:	Review Date:
SO16 Redesign of Pupil Support: Staff members are treated unfairly during the redesign process.	A full review of Pupil Support will be undertaken; this will allocate staff in accordance with the needs of the pupils they support. Voluntary Severance will be offered and/or different work where appropriate, with key consideration given to being fair to all staff members.	Helen Shanks	22/02/17	
SO18 Redesign the Building Service Apprenticeship scheme to match current projected opportunities: Young people and other staff members looking for career progression are disadvantaged as a consequence of reduced opportunities in their area.	The service will review its Apprenticeship Scheme to ensure that it continues to support as many high quality Apprenticeship placements as it can, ensuring the continuation of such support for young people and others. Current staff members will be retained in their posts, those who are already engaged in the Apprenticeship Scheme will not be affected.	John Quinn	22/02/17	

<p>SO20 Communities & Housing Management Restructure: Staff are given unfair workloads as a consequence in the reduction of posts.</p>	<p>The posts that will be removed are currently vacant; this means the work is already being covered by staff, therefore no one person should notice a major increase in their workloads. Even so, the service will ensure that workloads are managed to ensure no one person is unfairly adversely affected.</p>	<p>Derek McGowan</p>	<p>22/02/17</p>	
<p>SO49 Promote School Crossing patrol responsibilities to Unpaid Volunteers: ACC's older workforce is unfairly affected, as posts that are predominantly filled by older adults are moved to unpaid work.</p>	<p>As most of these posts are currently vacant the impact will only be on a few, the service will ensure that voluntary severance is offered and/or alternative work as appropriate. Staff will be kept well-informed and the process will be subject to ongoing scrutiny to ensure that no one person/group is unfairly treated.</p>	<p>John Quinn</p>	<p>22/02/17</p>	
<p>SO91 Remove 100% of all staffing underspends from vacant posts: Services feel increased pressure to not recruit to posts, reducing employment opportunity within Aberdeen and affecting the workload of existing staff members.</p>	<p>Services should not feel that this is a deterrent to recruit to posts that need to be filled. The action here will be to communicate effectively throughout the organisation how this option will work and that this is to recoup savings made due to natural turnover and not to reduce establishments.</p>	<p>Euan Couperwhite</p>	<p>22/02/17</p>	
<p>SO118 Remove allowances for eye examinations and contribution for spectacles: Staff members who rely on glasses and eye care in order to fulfil their role within the Council are disadvantaged because they cannot access the level of care they need without financial support.</p>	<p>Eye exams are currently provided free to user by the NHS. It is recognised that employees will now bear the full cost of spectacles. Further adjustments to workspaces to aid those with eyesight problems will still be undertaken on a case by case basis to ensure that employees are not unfairly affected.</p>	<p>Euan Couperwhite</p>	<p>22/02/17</p>	

<p>SO42 General Grass/Street Cleaning Reduction: Staff members are unfairly treated during a reduction in this service.</p>	<p>Voluntary severance will be offered and/or alternative work provided where appropriate. Staff will be kept well informed and management will ensure that a key consideration to this reduction is the treatment of staff.</p>	<p>Mark Reily</p>	<p>22/02/17</p>	
<p>SO2 Leased Income Maximisation - Marischal College: Working conditions within Marischal College become overcrowded and staff morale plummets as a consequence.</p>	<p>Other methods of working will be considered such as flexible working, working from home, hot desking and utilising other Council buildings for those mobile workers. For some, these options will suit their lifestyles; this should allow those who would not be interested in such schemes to continue to work within Marischal College.</p>	<p>John Quinn</p>	<p>22/02/17</p>	
<p>SO102 Income generation by charging staff for parking at work establishments: Staff members are unfairly affected by parking charges as they are more reliant upon their car for work.</p>	<p>Essential car users will still receive reimbursement for expenses relating to their car in the normal way. Staff members who use their car for their work will need to submit T&S claims which will be reviewed by their line manager as usual. In this way, no one who necessarily uses their cars for work will be disadvantaged. Blue badge holders will still receive free access to parking as usual.</p>	<p>John Quinn</p>	<p>22/02/17</p>	
<p>SO12 Community Safety Staffing - City Wardens and Transport Marshals: Existing staff members within this service are adversely affected as they have an increased workload due to the service not recruiting to vacancies.</p>	<p>These posts have been notoriously difficult to recruit to; the service will ensure that workload is reduced and expectations changed in line with a reduced workforce.</p>	<p>Neil Carnegie</p>	<p>22/02/17</p>	

<p>SO15 Waste Service Review: Staff members are treated unfairly when work is allocated under the new service structure.</p>	<p>This option will see a reduction in agency work and overtime. When choosing staff for remaining overtime, managers will need to be aware that they should use a fair and transparent method.</p>	<p>Mark Reily</p>	<p>22/02/17</p>	
<p>SO17 Redesign Music Service: Music instructors will not be employed directly by ACC, music provision will cease as instructors are unable to continue providing this service.</p>	<p>ACC will move from employing instructors directly to empowering parents to book tuition directly with tutors through a brokering service. A brokering process will need to be developed to ensure fair and transparent practice; changes made to how the music service will look post-review will be comprehensively communicated to instructors affected.</p>	<p>Andrew Griffiths</p>	<p>22/02/17</p>	
<p>SO37 Reduce Corporate Training Budget & Service Training Budgets: Staff members lack appropriate skills to provide their services at a good standard. Staff members struggle to progress through their career as they lack development opportunities. Staff retention declines.</p>	<p>Care should be taken to align the budget with actual spend and not to slash and burn the current provision. High demand training services will be prioritised and when choosing which services to provide consideration should be given to treating each staff group equally and fairly.</p>	<p>Ewan Sutherland</p>	<p>22/02/17</p>	
<p>SO39 Review and target support for the Cultural Programme: Staff members can no longer engage in the running of the cultural programme in the same way, sessions are chosen in an unfair manner leading to some groups being subject to an increased adverse effect.</p>	<p>A full review will be undertaken of the current programme and tailored to demand. Key consideration will be given as to the impact on staff groups when deciding how the new programme will operate and what new or different work will be given to staff.</p>	<p>Andrew Griffiths</p>	<p>22/02/17</p>	

<p>SO43 Close Public Toilets: Closure of public toilets leads to toilet attendants being unfairly put out of work leading to financial hardship.</p>	<p>Staff will be communicated with about any changes that are made, voluntary redundancy will be offered where it is wanted and alternative work given if not. Managers will ensure that staff members are listened to regarding their work preferences and action taken where possible.</p>	<p>Mark Reily</p>	<p>22/02/17</p>	
<p>SO85 Review of the Library Provision: Due to library closures staff members may not have the same work to do. An unfair selection process leads to some groups being more highly adversely affected.</p>	<p>Staff will be communicated with about any changes that are made, voluntary redundancy will be offered where it is wanted and alternative work given if not. Managers will ensure that staff members are listened to regarding their work preferences and action taken where possible.</p>	<p>Andrew Griffiths</p>	<p>22/02/17</p>	
<p>SO92 Stop Providing Home Safety Stair Gates free of charge and remove provision of Pissoirs: Staff members who clean the streets and provide caring services have a heightened workload as a lack of stair gates leads to children becoming injured and a lack of Pissoirs leads to increased public urination.</p>	<p>The onus will be on parents to ensure that their children are kept safe, either by installing stair gates themselves or providing increased supervision. Pissoirs are currently located in the city centre where there are bars, clubs and other facilities located nearby, all of which have toilets available. In order to ensure an increased workload will not be experienced the general public will need to be communicated to about the changes.</p>	<p>Derek McGowan</p>	<p>22/02/17</p>	
<p>SO134 Review and reduce overtime budgets under the remit of the Head of Service for Public Infrastructure & Environment: Staff members who work regular overtime will have their income reduced.</p>	<p>This option will see a reduction in agency work and overtime. When choosing staff for remaining overtime, managers will need to be aware that they should use a fair and transparent method.</p>	<p>Mark Reilly</p>	<p>22/02/17</p>	

<p>SO135 Review the teaching staffing formula in line with the revised guidelines for the Scottish Index of Multiple Deprivation: The review causes a reduction in teacher numbers, this leads to reduced employment opportunities within Aberdeen and an increased workload for the staff that remain in post.</p>	<p>Aberdeen City Council has struggled to recruit teachers in the past, suggesting that there is a sufficient number of employment opportunities within Education. Workload will be assessed during the review and staff resource allocation appropriately. Those undertaking the review will ensure that a fair workload is expected of staff members and a work-life balance maintained.</p>	<p>Euan Couperwhite</p>	<p>2/02/17</p>	
<p>SO19 Delivery of Business Support Services/Digitisation Programme - Transformation Activity: Staff members fulfilling roles such as Admin are targeted for voluntary redundancy or offered alternative work. The process is implemented unfairly causing staff to experience a heightened adverse effect. Staff members throughout the Council are expected to operate in a completely new way without proper training or engagement, leading to some staff groups (e.g. older adults) to be unfairly affected.</p>	<p>Staff members whose role will be coming to an end will be communicated with fully, offered fair and reasonable voluntary redundancy packages and given an option of alternative suitable work.</p> <p>Staff members, who will need to change the way in which they work, will be provided with appropriate support and training that will ensure their skills are aligned with their new role.</p>	<p>Simon Haston</p>	<p>22/02/17</p>	
<p>SO41 Outsource Catering in Museums & Art Gallery: Staff members no longer work for Aberdeen City Council, a change in employer causes disruption to working and means that contract terms & conditions are changed for the worse.</p>	<p>Staff members will TUPE across, maintaining their terms and conditions. Staff members will be consulted on changes and negotiations with a third party to provide such a service will include ensuring that working conditions are maintained at a good standard.</p>	<p>Andrew Griffiths</p>	<p>22/01/17</p>	

SO68 Creation of Culture ALEO (NDR Saving on Libraries and Museums): Staff members no longer work for Aberdeen City Council, a change in employer causes disruption to working and means that contract terms & conditions are changed for the worse.	Staff members will TUPE across maintaining their terms and conditions. Staff members affected will be communicated with regarding any changes and the set-up of a new ALEO to provide such a service will include ensuring that working conditions are maintained at a good standard.	Andrew Griffiths	22/02/17	
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7: Sign off	
Completed by (Names and Services) :	Helen Valentine, Finance
Signed off by (Head of Service) :	Steven Whyte
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ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	22 February 2017
DIRECTOR	Richard Ellis (Interim Director of Corporate Governance) Bernadette Marjoram (Interim Director of Communities, Housing and Infrastructure)
TITLE OF REPORT	Draft Housing Revenue Account (HRA) Budget and Housing Capital Budget 2017/18 to 2021/22
REPORT NUMBER	CG/17/032
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

To provide elected members with information to allow the setting of the rent level for the financial year 2017/18 as well as provisional rent levels for the financial years 2018/19 to 2021/22. In turn, this will allow a capital programme for 2017/18 as well as a provisional programme for 2018/19 to 2021/22.

PLEASE NOTE THAT THIS REPORT SHOULD BE READ IN CONJUNCTION WITH THE GENERAL FUND REVENUE BUDGET 2017/18 TO 2021/22 AND NON-HOUSING CAPITAL PROGRAMME 2017/18 TO 2021/22 WITH SPECIFIC REFERENCE TO:

- CREDIT RATING
- BALANCE SHEET POSITION
- LONG TERM FINANCIAL POSITION

2. RECOMMENDATIONS

It is recommended that Council:

- a. Approve the budget as attached in Appendix 1 of this report;
- b. Approve the weekly unrebated rents for municipal houses, as detailed in Appendix 1 of this report, to take effect from Monday 3 April 2017;
- c. Approve the level of revenue contribution to the Housing Capital budget for 2017/18 as well as a provisional contribution for the subsequent four financial years as detailed in Appendix 1 of this report;
- d. To continue to increase the level of working balances to ensure a minimum of 10% is maintained to meet future contingencies;

- e. Approve the level of miscellaneous rents and service charges, including Heat with Rent as detailed in Appendix 1 of this report;
- f. Set a capital programme for the financial year 2017/18 based on the rent strategy adopted as well as the indicative level of programme for the financial years 2018/19 and 2021/22;
- g. In order for work to commence on the capital programme approves as estimated expenditure in terms of Standing Order 1(3) (of the Council's Standing Orders relating to Contracts and Procurement) the sums shown against each heading of the Housing Capital Expenditure budget set out in Appendix 1 to this report; and
- h. Authorises the Director of Communities, Housing and Infrastructure to undertake or instruct appropriate procedures to procure the works referred to in Appendix 1 for the capital programme and award contracts relating thereto.

3. FINANCIAL IMPLICATIONS

- 3.1 Voids and rent arrears continue to be the main cost pressures to the HRA.
- 3.2 Given that the purpose of this report is to set the HRA budget for 2017/18 the financial implications are contained within the report and the attached Appendix 1.

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 and Energy Efficiency for Social Housing Standards.
- 4.2 The Council operates within the guidance issued by the Scottish Government for Local Authority Housing Revenue Account in Scotland in February 2014. The purpose of this guidance is to consolidate information on the role of the HRA: how it must operate; who the resources contained within it are meant to benefit; and what outcomes can be expected from these resources.
- 4.3 Communities, Housing and Infrastructure Committee on 1 November 2016 agreed a rental policy of inflation +1% for three years, inflation as at July of the preceding year.

5. BACKGROUND/MAIN ISSUES 2016/17 Out-Turn Position

- 5.1 In looking at the position for the next financial year it is useful to put into context the financial estimates for the current financial year. More detail can be found in Appendix 1 of this report.

5.2 The report outlines that the Housing Revenue Account forecasts a capital from current revenue (CFCR) contribution of £23,959m and £500k towards the working balance will be made in 2016/17 which is broadly in line with the 2016/17 budget.

5.3 The HRA budget has been aligned with the 30 year Business Plan.

Institutional Framework

5.4 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.

5.5 The tenants were asked if Council rents should increase by RPI + 1% for 2017/18 (July RPI 1.9%). The results are shown on page 18 of Appendix 1, 2,974 tenants responded, this equates to 13.5% of all tenants, 56% agreed with the rental increase with 41% disagreeing.

5.6 Schedule 15 of the Housing (Scotland) Act 1987 requires expenditure in the following 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.

5.7 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.

5.8 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 CFCR within the HRA budget will have an impact on the Housing Capital Budget. This report therefore, whilst indicating a proposed HRA Budget, also provides information on the Capital Budget.

5.9 **Summary 5 Year Position**

Included within Appendix 1 is an indicative budget for 2018/19 to 2021/22 with an assumed rent increase of 3% for all years, it has been assumed that the rental strategy will continue beyond the three years agreed. There is also an analysis of the management and administration, the repairs and maintenance and capital budgets.

5.10 In setting a 5 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.

Underlying Strategy

5.11 Based on the annual rent consultation and Council policy the budgeted figures have assumed a Council house rent increase of 2.9% (RPI at July 2016 of 1.9% plus 1%).

5.12 The 30 year Business Plan assumes RPI of 2% plus 1%.

5.13 In the UK, inflation will depend on how demand, supply and the exchange rate adjust following the vote to leave the European Union. The forecast does not fall back to the target of 2% inflation until the second half of the Bank of England's 3 year forecast.

5.14 It is worth looking at the future projections for inflation in setting the rent increase for 2017/18:

FORECAST						
End period %	Dec 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
	2.016					2.017
RPI inflation	2.2	2.4	2.7	2.7	3.0	3.0
RPIX inflation	2.5	2.7	2.9	3.0	3.2	3.1
CPI inflation	1.2	1.4	1.9	2.1	2.4	2.4

Source – Capital Economics – Forecasts (Dec 2016)

5.15 The above table indicates that inflation is expected to increase to 2.7% in Q1 2017 and to increase in Q3 2017 to 3%, therefore higher than the Bank of England's target of 2%.

Housing Market Overview

5.16 The Housing Needs Demand Assessment (HNDA) is currently being updated by Aberdeenshire Council, Aberdeen City Council and the Aberdeen City and Shire Strategic Development Planning Authority. A draft HNDA provided a calculation for the number of additional affordable housing units required to meet the need for affordable housing. To meet this requirement an annual need for an additional 415 affordable units has been assessed over a 10 year period.

5.17 **Buying/Selling of Property**
Aberdeen Solicitors Property Centre have indicated that the annual house price change in Aberdeen City and suburbs has fallen 9.8 %. The economic downturn in Aberdeen is reflected in the housing market with the volume of sales running just above 70% of the level of previous years although, encouragingly, the third quarter showed a small increase (2.7%) over the second quarter. However the market is still functioning with purchasers benefiting from low interest rates and builders offering incentives. There are some signs that the oil industry is beginning to move beyond cutting and more towards continuing.

5.18 **Rental Market**
Average rents in the Aberdeen city stand at £790 per month, down 15.4% year on year at quarter 4 in 2016. It is likely that rents in Aberdeen will hit national average later in 2017. The average property in Aberdeen currently takes 52 days to let, up 6 days on last year and further evidence of a market settling at a new level.

It is believed that the Aberdeen rental market has passed the worst with minor falls anticipated in the average rentals during the first half of 2017.

Council house dwelling remains the largest rental provider in the city this can be seen from the following split of the rental market at the end of December 2016– Council Housing 50%, Private Landlords 36%, Other social rented 10% and Other 4%.

The current demand for Council housing is borne out by the housing advice enquires in April to December of 3,842. The Council House waiting list currently is 6,542. Therefore is still an option for many with Registered Social Landlords currently struggling to let new mid market rental properties.

5.19 **Reserves & Risk**

The full impact of Welfare Reform has not been felt in Aberdeen. Tenants have continued to be sheltered from the effect of the Welfare Reforms today by the use of Discretionary Housing Payments.

The Head of Finance must be confident that the level of working balances is adequate to meet any unforeseen contingencies during the financial year particularly with regard to the introduction of Welfare Reform.

Based on projected income and expenditure that is likely to be generated for 2016/17, this opening figure for 2017/18 should be approximately £9.8 million as detailed below:

MOVEMENT IN WORKING BALANCES	£000
Working Balances as at 1 April 2016	10,808
Less: Earmarked sums (2015/16)	
Housing repairs	(1,193)
House Sales – Non RTB	(245)
	(1,438)
Projected Uncommitted Working Balances 1 April 2016	9,370
16/17 Contribution to the Working Balance	500
Projected Uncommitted Working Balances as at 31 March 2017	9,870
17/18 Contribution to the Working Balance	500
Projected Uncommitted Working Balance as at 31 March 2018	10,370

In being prudent it is proposed the Council continues to work towards increasing the working balance to a minimum of 10% over the next year as demonstrated in the table above.

5.20 Capital Expenditure

The draft budget for 2017/18 (and the subsequent four financial years) is attached as Appendix 1 of this report. This shows gross expenditure of £62m financed by £31m of borrowing and £24m by way of a revenue contribution to fund the net programme of £55m.

5.21 This capital budget reflects and includes a proposed rent increase of 2.9%. The details of the potential projects to be included in this programme are contained in Appendix 1 – pages 23 to 25.

5.22 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, page 16 gives indicative increases 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.**

5.23 **Prudential Code**

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 £55.3m. This is attached in Appendix 1 at pages 23 to 25.

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 **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 3 April 2017 which in turn will allow decisions to be taken on the level of capital investment.

6. **IMPACT**

Improving Customer Experience –

Accurate budget monitoring and forecasting assists the Council to plan and design our services around current and future customer needs as much as possible. Housing Revenue Account delivers affordable rents to the tenants.

Improving Staff Experience –

Good financial information improves good financial management and helps to track how successful management initiatives, such as service redesign, have been.

Improving our use of Resources –

As a public sector organisation, the Council has a legal duty to be open, transparent and accountable for spending public funds also ensuring best value.

Corporate -

Aberdeen the Smarter City:

Smarter Governance (Participation)

Accurate budget monitoring and forecasting contributes to the process of Smarter Governance.

Smarter Living (Quality of Life)

Housing Revenue Account delivers the priority 'tenants have a dry, warm home in a safe and enjoyable environment'.

Public –

The Council has a duty to ensure that best value is considered in all of its operations and this report helps to inform that process.

7. MANAGEMENT OF RISK

Risk is primarily being managed through the increase of working balances as detailed in 5.12.

8. BACKGROUND PAPERS

HRA 30 Year Business Plan

9. REPORT AUTHOR DETAILS

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Aberdeen City Council
Draft Housing Revenue Account
2017/18 – 2020/21 Budget



Steven Whyte
Head of Finance

Bernadette Marjoram
Interim Director of Communities, Housing and Infrastructure

DRAFT HOUSING REVENUE ACCOUNT

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Page 21	5 Year HRA Assumptions
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Revenue Assumptions

In preparing the information for the draft Housing Revenue Account budget for the financial year 2017/18, 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 Helen Sherrit, Finance Partner (Communities Housing & Infrastructure) on (34)6353 or e-mail hsherrit@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 2017/18, (there are some exceptions to this rule such as contractual uplifts etc. and these are stated in the variance notes). Inflation is currently running at approximately 2.2% (RPI at November 2016). (Source: Office of National Statistics)

Housing Stock

The number of Council houses owned by the Council, as at 30 November 2016, is 22,100. It has been assumed that there will be a further 20 sales during the financial year 16/17, bringing total sales for the year to 132.

Council House Sales

Right to Buy ended for all Council and housing association tenants in Scotland on 31 July 2016 therefore it has been assumed that there will be no house sales in 2017/18. Some sales may occur in 2017/18 however these are not expected to be significant.

There are approximately 130-140 applications still being processed. It is anticipated that the majority of these will not conclude this financial year. Valuations are still awaited on a large number of applications due to the demand on the District Valuer and they are only aiming to have the valuations completed by the end of this financial year.

Rental Income

The income available in 2017/18 to fund the proposed budgeted level of expenditure has been calculated by taking the current out turn uplifting by 2.9% (RPI at July 2016 + 1% which is the Council's current rent strategy/policy).

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 2017/18. No increase in 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 must be confident that the level of working balances is adequate to meet any unforeseen contingencies

particularly as regards the uncertainty surrounding welfare reform and the impact this could have on viability of the business plan of the Housing Revenue Account. Given this inherent uncertainty it is **proposed that the working balance continues to be maintained at a minimum of 10%.**

Housing Capital Expenditure Programme

Housing Investment Programme

The major projects undertaken by the Council are as follows:

Continuation of the work on the Seaton 7 multi storey over cladding projects at Aulton, Beachview, Bayview and Northsea Courts with overall completion aimed for May 2018.

Installation of District Heating to Regensburg Court, Hilton Court, Stewart Park Court and Granitehill House.

Continuation of New Build projects at Smithfield and Manor Walk.

Complete external insulation works to tenement blocks in the Froghall area.

Continue with a programme of structural survey throughout the housing stock.

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

2017/18 - £55,318 Million

2018/19 - £30,078 Million

2019/20 - £24,632 Million

2020/21 - £24,914 Million

2021/22 - £25,556 Million

A further report will be brought to Council in March detailing the feasibility study of the 2,000 potential new builds, no expenditure for this project has been included within the draft budget.

Housing Revenue Account					
Draft 2017/18 Budget					
		Budget	Out-turn	Budget	Notes
		2016/17	2016/17	2017/18	
		£000's	£000's	£000's	
	Premises Costs				
1	Rates	32	49	49	
2	Rent – Other	97	97	102	1
3	Repairs and Maintenance	24,746	24,922	25,114	2
4	Maintenance of Grounds	3,244	3,244	3,279	3
5	Gas	610	663	663	4
6	Electricity	2,346	2,642	2,642	4
7	Cleaning Service	480	506	494	5
8	Security Service	380	380	380	6
9	Window Cleaning	25	25	26	
10	Refuse Collection	286	275	278	7
11	Cleaning – Sheltered Housing	510	560	566	8
12	Other Property Costs - Council Tax	103	274	282	9
		32,859	33,638	33,875	
	Administration Costs				
14	Downsizing Grants/Direct Debit Incentives	102	50	102	10
15	Legal Expenses	397	320	350	
16	Office Tel / Rent	14	12	14	
17	Former Tenants Arrears	2,000	2,000	2,000	11
18	Charges - Services Admin & Management.	9,173	9,388	9,484	12
19	General Consultancy	55	40	60	13
20	Training for Front Line Staff	100	50	103	13
21	Benefits Staff	42	60	61	13
22	Charges - Tenants Participation	214	180	206	14
23	Charges for Environmental Health	190	196	201	
		12,288	12,296	12,581	
	Supplies & Services				
24	Provision of Meals	174	160	155	15
25	Television Licence	5	8	8	
26	Integrated Housing System	231	231	254	16
		410	399	417	
	Agencies				
27	Mediation Service	81	81	82	17
28	Energy Advice	80	80	82	18
29	Citizens Advice Bureau	14	14	14	13
30	Disabled Persons Housing Service	39	39	39	13
31	Ethnic Minority Worker	13	13	15	13
		228	227	232	

	Housing Revenue Account	Budget	Out-turn	Budget	
	Draft 2017/18 Budget	2016/17	2016/17	2017/18	
		£'000	£000's	£000's	
	Transfer Payments				
32	Priority Families Service	465	465	465	19
33	Loss of Rent - Council Houses	1,119	865	890	20
34	Loss of Rent - Garages, Parking etc	426	424	436	
35	Loss of Rent - Modernisation Works	106	100	109	
36	Home Loss & Disturbance Payment	184	279	301	21
37	Supporting People Contribution	0	100	0	
38	CFCR	23,935	23,959	24,045	
		26,235	26,192	26,246	
	Capital Financing Costs				
39	Loans Fund Instalment	6,091	6,001	6,874	
40	Loans Fund Interest	8,208	7,109	7,999	
		14,595	13,110	14,873	22
	Expense Total	86,317	85,861	88,225	
	Income				
41	Ground Rentals	(20)	(26)	(26)	
42	Dwelling Houses Rent Income	(82,392)	(81,713)	(84,083)	23
43	Housing - Heat with Rent Income	(2,000)	(2,089)	(2,089)	24
44	Housing - Garages Rent Income	(1,176)	(1,263)	(1,263)	25
45	Housing - Parking Spaces Rent	(180)	(224)	(220)	25
46	Housing - Insurance Income	(2)	(2)	0	26
47	Housing - Other Service Charge	(547)	(547)	(547)	25
48	Legal Expenses	(387)	(350)	(350)	
49	Revenue Balance Interest	(114)	(147)	(147)	27
	Income Total	(86,818)	(86,361)	(88,725)	
	Net Expenditure	(500)	(500)	(500)	
	Projected Working Balance at 1 April 2017			9,870	
	17/18 Contribution			500	
	Projected Working Balance at 31 March 2017			10,370	

HOUSING REVENUE ACCOUNT 2017/18 BUDGET

Variance Notes Comparing Draft Budget 2017/18 to Estimated Out-turn 2016/17

Expenditure Movements

1. Rent

This budget is for the rent of Accommodation for Community Groups and Housing Offices.

2. Repairs and Maintenance

An analysis is contained at page 11.

3. Maintenance of Grounds

Maintenance of Grounds budget has two elements: Ground Maintenance and cleansing/weed control. The budget for 2017/18 has been calculated by using the anticipated out-turn for 2016/17 uplifted by 1.08%.

4. Gas/Electricity

The Council moved on to the Scottish Government National Procurement for Gas and Electricity Supply on 1 April 2010 with the contract price reviewed on an annual basis. It has been assumed that consumption and rates will remain at 2015/16 levels.

5. Cleaning Service

This budget is for communal cleaning. The new cleaning contract commenced on 1 July 2015 and is expected to run for 3 years. The contractual value for 2017/18 has been calculated as £494,000.

6. Security Service

The cost of the security included in the budget for 2017/18 is £380,000 and includes the control room team.

7. Refuse Collection

The budget for 2017/18 has been calculated by using the out-turn for 2015/16 uplifted for salary increases.

8. Cleaning – Sheltered Housing

This is the budget for the cleaning of Sheltered Housing and has been calculated by using the outturn for 2016/17 uplifted by 1.08% for salary increases.

9. Other Property Costs – Council Tax on void properties

This budget is for the cost of Council Tax due on void properties. The budget for 2017/18 has been based on the actuals for 2015/16 uplifted by 3% as this is the assumption made in the General Services Budget.

10. Downsizing Grants/Direct Debit and Void Incentives

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

The Downsizing scheme provides assistance and a financial incentive to Council tenants occupying a property larger than their requirements to move to smaller more suitable housing in order to increase the supply of larger family housing. This budget is being maintained at the current level as the impact of welfare reform and the general economic downturn could lead to a potential rise in requests to downsize.

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

To support tenants move into their new homes and improvement of void property management performance, a new homes incentive scheme has been developed.

11. Former Tenants Arrears

The budget has been maintained at £2M, as at the end of November 2016 rent arrears are £3.6m (includes former and current). The budget for former tenant arrears is for the write off of uncollectable arrears and any increase in the debt provision.

12. Management & Administration

The staffing budget is based on the current structure of the Housing Revenue Account and includes central support recharges. A pay award of 1.08% has been allowed for which is in line with the assumptions contained within the Council's General Fund.

13. General Consultancy, Training for Front Line Staff, Benefits staff, Citizens Advice Bureau, Disabled persons Housing Service and Ethnic minority worker

General Consultancy allows the Housing Revenue Account to fund one off projects. An example of this type of expenditure 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 for the time spent with Council House Tenants on maximising income and tackling financial exclusion, it is anticipated that the recharge will increase. This has been uplifted for 2017/18 to reflect the accumulated 1.08% pay award.

The contribution to the Citizens Advice Bureau (CAB) provides funding to the service at ARI/Woodend Hospitals. Discussions are ongoing around the future provision of this service.

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.

The funding covers 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.

Ethnic minority housing outreach worker 3 year funding was agreed at 14 January 2014 Housing & Environment Committee. Aberdeen City Council will continue to provide funding for this joint post for a further year 2017/18. Funding beyond this period will be subject to review.

14. Tenants Participation

This is the budget allocated for the provision of Tenants Participation and includes the employment costs of one Development Officer (Tenant and Resident Participation), Newsbite and training for tenant representatives.

15. Provision of Meals

This budget is for the provision of meals at Denmore and Kingswood extra care housing by Bon Accord Care. The income for this service is contained in line 47 of the budget statement above which is shown as "Housing Other Service Charge". A pay as you go system is being introduced from 1 April 2017, it is recommended the current charges for Coronation Court are adopted however take up and income will require to be reviewed during 2017/18 these are contained in miscellaneous rents page 16.

16. Integrated Housing System

This budget is based on the IT requirements for 2017/18 which includes all the support and maintenance costs.

17. Mediation Service

The budget for 2017/18 covers the Service Level Agreement with SACRO.

18. Energy Advice

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.

19. Priority Families Service

This budget is used to fund the Priority Families Service which includes a Business Unit (consisting of 1FTE Manager and 0.5 FTE Analyst) and a Key Worker Delivery Unit (delivered by an external body) agreed at Communities, Housing and Infrastructure on 17th May 2016. The service which went live in January 17 provides intensive intervention services to families (mainly council tenants) which includes addressing anti-social behaviour, ensuring children and young people attend school as required, accessing appropriate health care, establishing routines and positive parenting and improving employability.

20. Loss of Rent Council Houses

The budget has been calculated based on 2016/17 forecast outturns uplifted by 2.9% the approved rental policy for 2017/18.

21. Home loss and disturbance payments

This budget in 2017/18 for home loss and disturbance payments is principally for those tenants effected in the Haudagain triangle site. This was approved at Housing & Environment Committee on 25 August 2016.

22. Capital Financing Costs

The budget for Capital Financing Costs is based on the likely level of capital spend in 2016/17 as at the end of December 2016 and a possible future programme for 2017/18 of £55.318 million as well as the level of historic debt that has to be financed.

Income

23. Dwelling Houses Rent Income

The budgeted income from Dwelling House Rent has increased by the potential rent increase of 2.9% (RPI at July 2016 +1%) which is in line with current Council policy on rent setting. The budget for 2017/18 has been calculated based on the 2016/17 outturn.

24. Housing – Heat with Rent Income

A review was undertaken of the income and expenditure of Heat with Rent and further details are contained on page 17.

25. Housing – Garages Rent Income, Housing Parking Spaces Rent, Housing – Other Service Charges

This budget will move depending on the level that miscellaneous rents are set at, as covered on page 16. The current budget therefore assumes that there will be no increase at present.

26. Housing Insurance Income

A review is being undertaken of the insurance contract and it is anticipated this will break even.

27. 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 2016/17 and current economic conditions.

	HOUSING REPAIRS DRAFT BUDGET	Approved Budget 2016/17 £'000	Projected Spend 2016/17 £'000	Base Budget 2017/18 £'000
<u>PLANNED AND CYCLICAL MAINTENANCE</u>				
1	External Joiner work Repairs including external painter work etc.	1,028	1,101	1,101
2	Boiler Maintenance – Sheltered Housing	261	325	325
3	Controlled Entry Systems – Maintenance	338	345	345
4	Fire Precautions - Servicing & Renewal of Equipment inc. Smoke Detectors & Dry Risers	194	195	195
5	Flat Roofs/Dormers – Renewal & Insulation	153	136	136
6	Common Rooms – Replacement of Furniture	43	101	101
7	Gas Servicing, Maintenance and Repair	4,120	4,702	4,500
8	Laundry Equipment Replacement & Maintenance	53	101	101
9	Legionella Testing incl. Repair/Renewal of Tanks	47	48	48
10	Lift Maintenance	356	483	483
11	Mutual Repairs outwith Housing Action Areas	27	27	27
12	Pumps & Fans - Maintenance & Renewal	62	58	58
13	Sheltered Housing - Replacement of Carpets, furnishings etc	43	43	43
14	Standby Generators – Maintenance	102	101	101
15	Warden call systems- maintenance and Repair	96	96	96
16	Provision of Community Alarm	246	246	246
17	Environmental Improvements (including internal communal areas)	1,200	1,200	1,200
18	Void Properties	3,985	4,288	4,000
19	Asbestos	77	60	60
20	Former Housing Capital budgets – energy efficiency, upgrading entrance halls and laundry facilities	245	245	245
Planned/Cyclical Maintenance Sub Total		12,674	13,901	13,412
<u>DAY TO DAY RESPONSE MAINTENANCE</u>				
21	Blacksmith General incl. Renewing & Repairing Rotary Driers/Handrails	119	152	152
22	Car Park Repairs	14	38	38
23	Chimney heads - Repointing and Rebuilding	42	4	4
24	Condensation - Treatment of Walls	91	148	148
25	Electrical Work - General Repairs	1,308	1,107	1,107
26	Emergency Work - Out of Hours Service	540	506	506
27	External/Internal Response Paintwork	226	168	168
28	Fire Damage Repairs	26	13	13
29	Garage Repairs	70	44	44
30	Glazier work	157	143	143
31	Joiner work - General Repairs	2,578	2,666	2,666
32	Mason work and Water Penetration Repairs	484	718	718
33	Minor Environmental Services	673	655	655
34	Plasterwork – General	313	233	233
35	Plumber work – General	1,214	1,159	1,159
36	Slater work	1,164	1,052	1,052
37	Snow Clearance	55	55	55
38	TV Aerial	115	99	99
39	Rubbish Removal	27	12	12
40	Vandalism	55	62	62
41	Water Services Charges	10	10	10
Day to Day Response Maintenance Total		9,280	9,043	9,043
42	Fees	2,792	2,631	2,659
43	Recharges		(654)	
TOTAL REPAIRS AND MAINTENANCE BUDGET		24,746	24,922	25,114

REPAIRS AND MAINTENANCE BUDGET 2017/18

General

The projected spend figures have been taken from invoicing up to the 7th December 2016 and a projection to year end.

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 2016/17 is currently anticipated to be above budget however this is not significant and can be subject to change as this budget is demand led.

An uplift has not been added to the figures as RICS Building Costs Information Service is forecasting a potential decrease in general building costs however it has been decided it would be prudent to leave at out-turn for 2016/17.

Specific Items

Planned and Cyclical Maintenance

Item 7 Gas Servicing, Maintenance and Repairs

In order to achieve the 100% target set by the regulator a budget of £4.5m is required.

Item 17 Environmental Improvements

This line includes crime prevention measures, bird proofing including the removal of nests, area fencing, security doors, sound insulation, security lighting and other estate management improvements identified by Housing Officers.

Item 18 Void Properties (Relets)

During 2017/18 there should be a reduction in work on this budget line as properties are passed to the tenant at the minimum letting standard however maintained at current level until a marked decrease is shown.

Day to Day Response Maintenance

The items listed under Day to Day response are more susceptible to weather /climate/fluctuations in costs from year to year. The projected and budget costs are in part based on historical data taken from previous years.

Fees

The fees include the recharge for the call centre who receive the repairs calls. Uplifted by 1.08% for wage inflation.

Management & Admin		Proposed		Notes
		Budget	Budget	
		2016/17	2017/18	
		£000's	£000's	
Staff Costs				1
1	Salaries	5,642	5,585	
2	Overtime	81	74	
3	Superannuation	1,038	1,000	
4	N.I	563	507	
5	Other Staff Costs	389	656	
6	Vacancy Factor	(351)	(365)	
		7,362	7,457	
Premises Costs				2
7	Rates	29	29	
8	Rent	26	26	
9	Electricity/Gas	23	23	
10	Rubbish Removal	3	3	
11	Cleaning	25	25	
12	Repairs and Maintenance	3	3	
		109	109	
Administration Costs				2
15	Printing	77	77	
16	Photocopying	14	14	
17	Stationery	18	19	
18	Subscriptions	4	23	
19	Postages	87	87	
20	Telephones	40	40	
21	Bank Charges(inc Cash in transit	77	77	
22	Advertising	45	45	
23	Course Expenses	14	14	
26	Tenants Participation Expenses	11	9	
		387	405	
Transport Costs				
	Travel Costs	97	90	
		97	90	

			Proposed	
		Budget	Budget	
		2016/17	2017/18	
		£'000	£'000	Notes
	Supplies & Services			2
28	Equipment Purchases	15	15	
29	Computer Software Support	231	254	
30	Sundry Outlays	174	174	
		420	443	
	Corporate/Directorate Recharge			
31	Corporate/Directorate Recharges	2,365	2,526	3
		2,365	2,526	
	Expense Total	10,740	11,030	
	Income			
	Recharges:-			
34	Management & Admin – HRA	(9,173)	(9,484)	
35	Tenants Participation – HRA	(214)	(206)	
36	Other Housing	(231)	(227)	
37	Homeless Persons	(53)	(51)	
38	Housing Capital	(838)	(808)	
39	Integrated Housing	(231)	(254)	
		(10,740)	(11,030)	
	Income Total	(10,740)	(11,030)	
	Net Expenditure	0	0	

MANAGEMENT AND ADMINISTRATION BUDGET

Variances and Notes

The 2017/18 budget for management and administration is based on the current structure of Housing.

1. Staff Costs

The staff costs have been increased to reflect annual salary increments and the pay award. A vacancy factor of 8% is included as per 2016/17 budget.

2. Premises Costs, Fees & Charges, Administration Costs, Transport Costs, Supplies and Services

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

3. 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, Corporate Director and Heads of Service etc.

Miscellaneous Rents

ABERDEEN CITY COUNCIL HOUSING REVENUE ACCOUNT					
Proposed Increase to be included in the HRA budget – Miscellaneous Rents					
		2017/18			
		Current	Proposed	Increase	Percentage
		Rental	Rental	Per Week	Increase
Note	Miscellaneous Increases	£	£	£	%
	Garages	11.00	11.30	0.30	2.73
	Denburn and West North Street Spaces	5.00	5.15	0.15	2.90
1	Denburn and West North Street Spaces – Non Resident	35.00	20.00	-15.00	00
	Garages Sites	4.30	4.40	0.10	2.33
	Car Ports	4.70	4.85	0.15	3.19
	Car Parking Spaces – Local Residents	3.90	4.00	0.10	2.56
1	Parking Spaces Non Local Residents	35.00	20.00	-15.00	00
2	Meals at Denmore & Kingswood	35.00	See below	0.00	0.00
	Mortgage Reference Fees	64.50	64.50	0.00	0.00
3	Guest Rooms	10 & 15	10 & 15	0.00	0.00
4	Factoring Charge	62	62	0.00	0.00

The above proposed prices for 2017/18 have been increased broadly in line with the proposed rental increase subject to:

Note 1 - In 2012, committee introduced a new charge for Council housing car parks applying to people renting spaces who do not live in the letting area or letting area adjacent to the car park where their space is rented. Charges increased (see note below) to £35 per week (£42 pw including VAT). Prior to the increase there was high demand for spaces however the price increase resulted in the vast majority subject to the increased charge terminating their tenancy. There are currently 210 void parking spaces around city centre letting areas, prior to the price increase there would have been very few. It is therefore proposed to reduce the 'non residents' charge to £20pw to be competitive with charges applying in other city centre car parks.

Note: Residents of the City, regardless of whether they live nearby or are Council house tenants, were charged at £4.40 per week (£211.20 per year) in Denburn and West North Street multistorey car parks and £3.40 in all other surface car parks. People who rent spaces and live outside the City were charged £10.90 per week (£523.20 per year).

Note 2 – Recommended the same method of charging as Coronation Court is implemented – Starter £1.00, Main £1.80 and Pudding £1.00.

Note 3 - No increase is being recommended in 2017/18.

Note 4 - This is an annual charge per owner as a result of the Property Factors Act which was introduced on 1st October 2012. A full service review will be undertaken during 2017/18 therefore no change is required at this point in time.

Heat with Rent calculations for 2017/18

It was agreed in the 2017/18 budget process to apply a decrease in Heat with Rent of £2 on all charges.

A review of consumption and costs is required each year. This year the consumption has been taken for the last three years to even out any potential peaks and troughs. A reduction has been made for communal areas.

Heat with Rent provides a number of benefits to the tenants principally the charge is the same every week therefore no unexpected large bills in cold winters and the 5% VAT charge is not passed onto the tenants.

It is proposed that Heat with Rent charges do not increase in 2017/18 based on current forecasts for consumption and cost (assuming there will be a price increase as the price of a barrel of oil has increased over the last 12 months) .

Heat with Rent – 48 week basis		
	Previous	Proposed
Gas Heated Properties	£	£
Bedsits	8.55	8.55
1 bed roomed flats	9.85	9.85
2 bed roomed flats	11.15	11.15
3 bed roomed flats	12.45	12.45
Electrically Heated Properties		
Bedsits	9.55	9.55
1 bed roomed flats	10.85	10.85
2 bed roomed flats	12.15	12.15
3 bed roomed flats	13.45	13.45
CHP Properties		
All 1 Bed roomed Properties	9.60	9.60
All 2 Bed roomed Properties	10.90	10.90

ABERDEEN CITY COUNCIL
Tenants Consultation

Aberdeen City Council is committed to ensuring that tenants' views are both sought and listened to. Communities, Housing and Infrastructure Committee on the 1 November 2016 agreed a rent policy of inflation (RPI as at July of the preceding year) + 1% for three years.

Legislation states that tenants must be consulted on any potential rent increases, a questionnaire was therefore sent out to all our tenants asking for their opinion on a potential rent increase for 2017/18 of $RPI(1.9\%)+1\% = 2.9\%$ this is equivalent to an average increase of £2.20 per week.

The table below shows the results of the questionnaire

	Returns	Percent
Yes	1,658	56
No	1,232	41
No reply	84	3
Total	2,974	100

Tenants were also asked to list their priorities from the main services Housing provides, 1 being the highest and 3 the least, the table below the shows the results

Service	High priority	Medium priority	Lowest priority	No Comment
Repairs	2,258	406	52	258
Grounds Maintenance	745	1310	503	416
Improvements	1,625	862	136	351
New Build	1,616	666	313	379
Housing Management	1,002	1,069	422	481

Housing repairs, Improvements and New Build are the most important areas for investment from a tenants perspective.

Housing Revenue Account							
		Budget	Budget	Budget	Budget	Budget	Notes
		2017/18	2018/19	2019/20	2020/21	2021/22	
		£000's	£000's	£000's	£000's	£000's	
Premises Costs							
1	Rates	49	50	51	52	53	
2	Rent	102	104	106	108	110	
3	Repairs and Maintenance	25,114	25,618	26,130	26,653	27,186	1
4	Maintenance of Grounds	3,279	3,312	3,345	3,378	3,412	2
5	Gas	663	716	773	835	902	4
6	Electricity	2,642	2,880	3,139	3,421	3,729	4
7	Cleaning Service	494	504	514	524	535	3
8	Security Service	380	388	395	403	411	2
9	Window Cleaning	26	27	27	28	28	3
10	Refuse Collection	278	281	284	286	289	2
11	Cleaning – Sheltered Housing	566	572	577	583	589	2
12	Premises Insurance	0	0	0	0		3
13	Other Property Costs - Council Tax	282	291	299	308	318	
		33,875	34,741	35,641	36,581	37,563	
Administration Costs							
14	Down sizing Grants/Direct Debit Incentives	102	102	102	102	102	
15	Legal Expenses	350	350	350	350	350	
16	Office Tel / Rent	14	14	15	15	15	3
17	Former Tenants Arrears	2,000	2,000	2,000	2,000	2,000	
18	Charges - Services Admin & Management	9,484	9,579	9,675	9,771	9,869	2
19	General Consultancy	60	60	60	60	60	
20	Training for Front Line Staff	103	105	107	109	111	
21	Benefits Staff	61	61	62	62	63	2
22	Charges - Tenants Participation	206	210	214	219	223	2
23	Charges for Environmental Health	201	203	205	207	210	2
		12,581	12,685	12,790	12,896	13,003	
Supplies & Services							
24	Provision of Meals	155	158	161	164	168	
25	Television Licence	8	8	8	8	9	
26	Integrated Housing System	254	259	264	270	275	3
		417	425	434	443	451	

	Housing Revenue Account	Budget	Budget	Budget	Budget	Budget	
		2017/18	2018/19	2019/20	2020/21	2021/22	
		£000's	£000's	£000's	£000's	£'000	
	Agencies						
27	Mediation Service	82	83	84	84	85	2
28	Energy Advice	82	83	84	84	85	2
29	Citizens Advice Bureau	14	14	14	14	15	2
30	Disabled Persons Housing Service	39	39	40	40	41	2
31	Ethnic Minority Worker	15	15	15	15	15	
		232	234	237	239	241	
	Transfer Payments						
32	Priority Families Service	465	470	474	479	484	2
33	Loss of Rent - Council Houses	890	917	944	973	1,002	5
34	Loss of Rent - Garages, Parking etc	436	449	463	477	491	
35	Loss of Rent - Modernisation Works	109	112	116	119	123	
36	Haudagain Home Loss & Disturbance Payments	301	0	0	0	0	
37	Supporting People Contribution	0	0	0	0	0	
38	CFCR	24,045	23,666	24,771	26,280	27,820	
		26,246	25,614	26,768	28,328	29,919	
	Capital Financing Costs						
39	Loans Fund Instalment	6,874	8,375	8,962	9,362	9,782	
40	Loans Fund Interest	7,999	8,673	8,514	8,173	7,817	
		14,873	17,048	17,476	17,535	17,599	
	Expense Total	88,225	90,747	93,346	96,021	98,777	
	Income						
41	Ground Rentals	(26)	(26)	(26)	(26)	(26)	
42	Dwelling Houses Rent Income	(84,083)	(86,605)	(89,203)	(91,879)	(94,636)	5
43	Housing - Heat with Rent Income	(2,089)	(2,089)	(2,089)	(2,089)	(2,089)	
44	Housing - Garages Rent Income	(1,263)	(1,263)	(1,263)	(1,263)	(1,263)	
45	Housing - Parking Spaces Rent	(220)	(220)	(220)	(220)	(220)	
46	Housing - Insurance Income	0	0	0	0	0	
47	Housing - Other Service Charge	(547)	(547)	(547)	(547)	(547)	
48	Legal Expenses	(350)	(350)	(350)	(350)	(350)	
49	Revenue Balance Interest	(147)	(147)	(147)	(147)	(147)	
	Income Total	(88,727)	(91,247)	(93,845)	(96,521)	(99,278)	
	Net Expenditure	(500)	(500)	(500)	(500)	(500)	

HOUSING REVENUE ACCOUNT FIVE YEAR BUDGET ASSUMPTIONS

1. Repairs and Maintenance

The analysis of the five year budget follows. The budget has been uplifted by 2% in 2018/19 to 2020/21.

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, Citizens Advice Bureau, Disabled Persons Housing Service, Priority Families Service

As these budgets are principally for staffing within the Council an uplift of 1% for 2018/19 to 2020/21 has been applied to reflect the anticipated public sector pay awards.

3. Cleaning Service, Security Service, Training for front line staff, Window Cleaning, Office Telephone, Integrated Housing, Loss of rent modernisation works.

These budgets have been uplifted by the inflationary increase in the HRA Business Plan of 2%.

4. Gas & Electricity

Gas has been uplifted 8%, Electricity & Combined Heat & Power 9% from 2017/18 onwards.

5. Dwelling Houses Rent Income and Transfer Payments

The budgeted income from Dwelling House Rent is uplifted by 1.9% for 2017/18 and then uplifting each year by 3% (RPI of 2% used in the business plan, this is the standard inflationary increase plus 1%).

HOUSING REPAIRS DRAFT BUDGET		Base Budget 2017/16 £'000	Base Budget 2018/19 £'000	Base Budget 2019/20 £'000	Base Budget 2020/21 £'000	Base Budget 2021/22 £'000
PLANNED AND CYCLICAL MAINTENANCE						
1	External Joiner work Repairs including external paintwork etc.	1,101	1,123	1,146	1,169	1,192
2	Boiler Maintenance - Extra Care Housing	325	332	338	345	352
3	Controlled Entry Systems – Maintenance	345	352	359	366	373
4	Fire Precautions - Servicing & Renewal of Equipment inc. Smoke Detectors & Dry Risers	195	199	203	207	211
5	Flat Roofs/Dormers – Renewal & Insulation	136	139	141	144	147
6	Common Rooms - Replacement of Furniture	101	103	106	108	110
7	Gas Servicing, Maintenance and Repair	4,500	4,590	4,682	4,775	4,871
8	Laundry Equipment Replacement & Maintenance	101	103	105	107	109
9	Legionella Testing incl. Repair/Renewal of Tanks	48	49	50	51	52
10	Lift Maintenance	483	493	503	513	523
11	Mutual Repairs outwith Housing Action Areas	27	28	28	29	29
12	Pumps & Fans - Maintenance & Renewal	58	59	61	62	63
13	Extra Care Housing - Replacement of Carpets, furnishings etc	43	44	45	46	47
14	Standby Generators – Maintenance	101	103	105	107	109
15	Warden call systems- Maintenance and Repair	96	98	100	102	104
16	Provision of Community Alarm	246	251	256	261	266
17	Environmental Improvements	1,200	1,224	1,248	1,273	1,299
18	Relets	4,000	4,080	4,162	4,245	4,330
19	Asbestos	60	61	62	63	65
20	Former Housing Capital budgets – energy efficiency, upgrading entrance halls and laundry facilities	245	250	255	260	265
Planned/Cyclical Maintenance Sub Total		13,411	13,681	13,955	14,233	14,517
DAY TO DAY RESPONSE MAINTENANCE						
21	Blacksmith General incl. Renewing & Repairing Rotary Driers/Handrails	152	155	158	161	165
22	Car Park Repairs	38	39	40	40	41
23	Chimney heads - Repointing and Rebuilding	4	4	4	4	4
24	Condensation - Treatment of Walls	148	151	154	157	160
25	Electrical Work - General Repairs	1,107	1,129	1,152	1,175	1,198
26	Emergency Work - Out of Hours Service	506	516	526	537	548
27	External/Internal Response Paintwork	168	171	175	178	182
28	Fire Damage Repairs	13	13	14	14	14
29	Garage Repairs	44	45	46	47	48
30	Glazier work	143	146	149	152	155
31	Joiner work – General Repairs	2,666	2,719	2,774	2,829	2,886
32	Mason work and Water Penetration Repairs	718	732	747	762	777
33	Minor Environmental Services	655	668	681	695	709
34	Plasterwork – General	233	238	242	247	252
35	Plumber work – General	1,159	1,182	1,206	1,230	1,255
36	Slater work	1,052	1,073	1,095	1,116	1,139
37	Snow Clearance	55	56	57	58	60
38	TV Aerial	99	101	103	105	107
39	Rubbish Removal	12	12	12	13	13
40	Vandalism	62	63	65	66	67
41	Water Services Charges	10	10	10	11	11
Day to Day Response Maintenance Total		9,044	9,225	9,410	9,598	9,790
Fees		2,659	2,713	2,767	2,822	2,879
TOTAL REPAIRS AND MAINTENANCE BUDGET		25,115	25,618	26,130	26,653	27,186

Draft Housing Capital Budget 2017/18 to 2020/21

PROJECT	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
SCOTTISH HOUSING QUALITY STANDARDS					
1 Compliant with the tolerable standard					
1.1 Major Repairs-	95	0	0	0	0
Roofs Renewal/Gutters/RWP/Roughcast					
Undertaking large scale repairs to Roofs/Gutters/RWP/Roughcast					
	95	0	0	0	0
2 Free from Serious Disrepair					
2.1 Primary Building Elements					
Structural Repairs Multi Storey	10,700	4,020	920	575	1,947
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	3,400	2,000	2,000	2,000	2,000
Structural works carried out in order to keep the building stable and structurally sound.					
Secondary Building Elements					
2.2 Upgrading Of Flat Roofs General	427	50	350	70	300
Replacement of existing roof covering and upgrading of insulation to meet current building regulations.					
2.3 Upgrade Flat Roofs Multi Storey	2,400	520	161	148	737
Full replacement of the flat roofs and also checking the replacement of roof ventilation as required					
2.5 Mono Pitched Types	400	650	650	650	650
Replacement of the external render of the building, replacement of gutters and downpipes, environmental works					
2.6 Window Replace General	3,200	3,661	3,791	4,045	4,002
Window Replace General – Communal	85	99	0	0	0
2.7 Window Replace – Multi Storey	0	19	0	0	0
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.					
2.8 Balcony Storm Doors	0	0	0	0	0
2.9 Balcony Glass Renewal – Multi Storey	0	0	0	0	0
	20,612	11,019	7,872	7,488	9,636
3 Energy Efficient					
Effective insulation					
3.2 General Houses Loft Insulation	54	54	62	208	0
Installation of loft insulation where there is none previously or the topping up of existing insulation to comply with current building regulations.					
Efficient Heating					
3.3 Heating Systems Replacement	4,698	3,938	4,021	7,953	7,327
Replacement of boiler/whole system as deemed necessary.					
3.5 Energy Efficiency – Major Blocks	1,600	1,200	1,600	1,600	1,600
Contribution to Aberdeen Heat & Power for the creation of Combined Heat & Power Plants					
3.6 Energy Efficiency Sheltered	0	0	0	0	0
Introduction of energy efficiency measures in extra care housing such as new or upgraded heating systems.					

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<u>Additional Energy Efficiency measures</u>					
3.7 SCARF	35	35	35	35	35
3.8 Solid Wall Insulation	1,300	2,500	1,000	1,000	1,000
3.9 Vestibule Doors	0	0	0	0	0
	7,687	7,727	6,718	10,796	9,962

Modern Facilities & Services

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<u>Bathroom and Kitchen Condition</u>					
4.1 Modernisation Programme – Bathroom	830	335	194	259	163
Modernisation Programme – Kitchen	2,310	1,141	947	1,266	897
Replacement of bathrooms and kitchens.					
	3,140	1,476	1,141	1,525	1,060

5 Healthy, Safe & Secure

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
<u>Healthy</u>					
5.1 Condensation Measures	22	23	24	24	24
Installation of heating systems and ventilation measures to combat condensation.					
<u>Safe</u>					
5.3 Rewiring	1,495	1,494	1,549	152	148
Replacement of cabling, fittings and distribution boards as necessary. This work is carried out in every property on a cyclical basis					
5.4 Lift Replacement Multi Storey/Major Blocks	1,120	632	1,302	0	450
Replacement of lifts where they are beyond economical repair. This can be full replacement or replacement of specific parts of the lift.					
5.5 Smoke Detectors – Common Areas Major Blocks	66	33	17	0	17
5.6 Services	50	50	50	50	50
Cyclical maintenance/replacement of the following services					
Ventilation Systems, water tanks/pipe work, refuse chutes/chamber, Dry risers systems, Standby Generators					
5.9 Upgrading of lightning	0	0	0	0	0
<u>Secure</u>					
5.11 Door Entry Systems	159	470	488	492	489
Installation of door entry and replacement of existing doors where required					
5.12 Replace Door Entry Systems - Major Blocks	98	133	210	0	57
Installation of door entry and replacement of existing doors where required					
5.13 Other Initiatives					
Upgrading of stairs and installation of security doors and door entry systems	638	338	354	808	291
	3,648	3,173	3,994	1,526	1,526

NON SCOTTISH HOUSING QUALITY STANDARDS

6 Community Plan & Single Outcome Agreement

6.1 Housing For Varying Needs	100	100	100	100	100
New build projects or adaptation/refurbishment of existing properties to create accommodation which is suitable for occupation by tenants with particular needs.					

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
6.2 Community Initiatives	500	500	600	600	600
Refurbishment of properties or environmental improvements in designated areas. Cruyff Court redevelopment.					
6.5 Regeneration/Acquisition of Land or Houses	1,500	1,700	700	500	500
Early Action projects linked to Regeneration and Master planning Briefs for Regeneration.					
Acquisition of Land/Houses for the new build programme.					
6.6 CCTV – Multi Storey	162	162	179	0	0
Provision of CCTV for the Multi Storey Service					
6.7 Adaptations Disabled	1,000	1,000	1,000	1,000	1,000
6.8 Special Initiatives/Barrier Free Housing	50	800	1,600	800	150
Provision of specialist facilities or housing for tenants with particular needs i.e. extensions					
6.9 Housing For Varying Needs- Amenity/Adaptations	30	30	30	30	30
Conversion of properties to Amenity Level standard					
6.10 Housing For Varying Needs- Extra Care/Adaptations	70	70	70	70	70
Adaptations required to ensure existing sheltered housing stock meets current standards					
6.11 Roads	300	100	100	100	100
Upgrade of Roads to an adoptable standard					
6.12 Paths	200	200	200	200	200
Formation or upgrading of paths					
6.13 Garage	0	0	0	0	0
6.14 New Affordable Housing	18,300	1,748	150	0	0
	22,212	6,410	4,729	3,400	2,750
7 Service Development					
7.1 Conditions Surveys	120	80	0	0	0
7.2 Property Database	120	10	0	0	0
Integrated Housing System	20	20	20	20	20
	260	110	20	20	20
8 Service Expenditure					
8.1 Other Departmental Fees	4,500	3,880	3,203	3,237	3,760
	4,500	3,880	3,203	3,237	3,760
Gross Programme	62,154	33,795	27,677	27,992	28,714
Less 11% Slippage	6,836	3,717	3,045	3,078	3,158
Net Programme	55,318	30,078	24,632	24,914	25,556
Financed by :-					
Borrowing	31,273	6,412	0	0	0
Scottish Government Grant – New Build	0	0	0	0	0
CFCR	24,045	23,666	24,632	24,914	25,556
Total Funding	55,318	30,078	24,632	24,914	25,556

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ABERDEEN CITY COUNCIL

COMMITTEE	COUNCIL
DATE	22 February 2017
INTERIM DIRECTOR	Richard Ellis
TITLE OF REPORT	Common Good Budget 2017/18 to 2021/22
REPORT NUMBER	CG/17/016
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

This report provides the draft Common Good budget for 2017/18 to 2021/22, for consideration by elected members.

2. RECOMMENDATIONS

It is recommended that the Council: -

- a) approves the Common Good budget for 2017/18 as detailed in Appendix 1 to this report;
- b) approves the recommendation that the Head of Finance be asked to undertake a comprehensive review of Common Good assets; and
- c) considers and makes a decision on each of the new requests for funding which are detailed at Appendix 3 to this report.

3. FINANCIAL IMPLICATIONS

- 3.1 The report outlines proposals for the Common Good budget for the financial year 2017/18.
- 3.2 It also contains details of the value of the Common Good's cash balances.
- 3.3 A full review of the Common Good budget has been undertaken.

4. OTHER IMPLICATIONS

- 4.1 The Common Good funds provide support to a range of services and projects both internal and external to the Council. If funding was not provided there may be a risk that services and projects would no longer be delivered.

5. BACKGROUND/MAIN ISSUES

Introduction

- 5.1 In preparing a draft Common Good budget for 2017/18, the financial strategy approved by the Finance & Resources Committee of 6th December 2012 has been applied.
- 5.2 Generally, requests for funding from the Common Good need to comply with two conditions, namely;
- (1) That the Common Good must be applied for the benefit of the community; and
 - (2) That the Council must in each case use reasonable judgement in allocating Common Good funding.

Projected Out-turn 2016/17

- 5.3 The projected outturn for 2016/17 shows a surplus of £232,000 compared with a budgeted surplus of £72,000.
- 5.4 The favourable movement of £160,000 comparing budget to out-turn is primarily due to underspends in staffing within Civic Support; an underspend in Civic Receptions due to fewer applications being received; and an underspend in the repairs and maintenance budget due to less repairs work being carried out on properties.

Draft Budget 2017/18

- 5.5 In developing the draft Common Good budget for 2017/18, input has been sought from those external bodies currently supported by the Common Good and from various Council officers responsible for the different expenditure and income lines. The draft budget is shown in Appendix 1 below.
- 5.6 Rental income is based on projections provided by the Asset Management team within Communities, Housing & Infrastructure.
- 5.7 The Council's legal team has fully reviewed all items currently funded by the Common Good in terms of fulfilling the criteria summarised in 5.2 above. The items which they suggest do not fulfil the criteria are:

	£000
Official Catering	17
Bulawayo Trust	45
Gomel Trust	22
Mary Garden Prize	2
Events Team	50
	136

- 5.8 These items have been removed from the draft budget and are shown as cost pressures in the Council's revenue budget.
- 5.9 Appendix 3 outlines those new items for which requests for funding have been received. These items are not currently included in the draft budget, and as such, if approved, will reduce the level of surplus shown in Appendix 1. The current budgeted position for 17/18 is a surplus of £472,000.

Investment Strategy & Cash Balances

- 5.10 In December 2012 the Finance, Policy & Resources Committee agreed an investment strategy to ensure the long term financial viability of the Common Good. Given the continued economic conditions and also the increased level of cash reserves that the Common Good has through the sale of land it is important that this strategy is reviewed regularly.
- 5.11 In February 2016, Council agreed to the following:
1. A review of Asset Class and Investment Portfolio be reported back to Committee in due course;
 2. The principal of ensuring that cash balances be increased annually to take account of inflation should be adhered to;
 3. The principal of adhering to maintaining the principal cash held (that is, cash balances should increase in value and should not be utilised) and that interest earned is the only cash made available as part of the budget process; and
 4. Over the medium term (5 years) all spend, which does not relate to the running or maintenance of the Common Good Fund, should be non-recurring.
- 5.12 The asset portfolio is comprised of land and buildings, and cash. The current position (31st March 2016) is as follows:

	£'000
Land and Buildings	95,531
Investment in Loans Fund	<u>16,881</u>
Total Long Term Assets	112,412

- 5.13 These assets generate in excess of £3 million per annum in income, which is used to fund the spend shown in Appendix 1.
- 5.14 A major criterion of the investment strategy has to be to ensure that the assets held by the Common Good are fit for purpose in the 21st century. The Council is custodian of these assets, and capital preservation should be the main priority.
- 5.15 An investment strategy needs to assess each of the categories of assets and ensure that they are fit for purpose and offering the best possible return on investment.

- 5.16 It is therefore recommended, and taking cognisance of the additional responsibilities imposed by the Community Empowerment Act, that the Head of Finance be asked to prepare a comprehensive asset register and to review all Common Good investments, using expertise from fund managers as appropriate.
- 5.17 Members will wish to note that the Minister for Local Government and Housing has confirmed the intention to publish guidance on the procedures to be followed when creating Common Good registers and the management and use of Common Good property as envisaged in Part 8 of the Community Empowerment (Scotland) Act 2015. Draft guidance for consultation will be published soon after the Local Government Elections in May 2017. Reports on these matters will be brought to Committee as and when required.

6. IMPACT

Improving Customer Experience –

Accurate budget setting and financial planning assists the Council in planning and designing our future service delivery.

Improving Staff Experience –

Good financial information improves good financial management and helps to track how successful management initiatives, such as service redesign, have been.

Improving our use of Resources –

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

7. MANAGEMENT OF RISK

- 7.1 Every organisation has to manage the risks inherent in the operation of large and complex budgets. These risks are minimised by the regular review of financial information by services and corporately by elected members. This report is part of that framework.

8. BACKGROUND PAPERS

Finance, Policy and Resources Committee 6th December 2012
(CG12/1024)

9. REPORT AUTHOR DETAILS

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Common Good Fund Budget					*	*	*	*
Appendix 1		2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Note		Budget	Outturn	Budget	Budget	Budget	Budget	Budget
		£000	£000	£000	£000	£000	£000	£000
	General Properties/Estates							
1	Insurance Costs	17	13	17	17	17	17	17
2	Repairs and Maintenance	85	50	85	85	85	85	85
		102	63	102	102	102	102	102
	Other Expenses							
3	St Nicholas Carillon	6	6	6	6	6	6	6
4	Printing and Other Sundries	3	3	0	0	0	0	0
5	Official Catering	17	12	0	0	0	0	0
		26	21	6	6	6	6	6
	Donations, Grants, Contributions							
6	Aberdeen Citizen's Advice Bureau	298	298	301	304	307	310	310
7	Twinning Activities	137	124	137	137	137	137	137
8	Contributions to Trusts & Festivals	325	325	325	325	325	325	325
9	Techfest	37	37	37	37	37	37	37
10	Satrosphere Rent	42	42	42	42	42	42	42
11	Bulawayo Trust	45	45	0	0	0	0	0
12	Gomel Trust	22	22	0	0	0	0	0
13	Mary Garden Prize	2	2	0	0	0	0	0
14	Quincentenary Prizes	3	3	0	0	0	0	0
15	Aberdeen Performing Arts Contribution - Stage 1 Agreement	75	75	75	75	75	75	75
16	Aberdeen Safer Community Trust (ABSAFE)	68	68	68	70	70	60	60
17	Youth Activities Small Grant Funding	50	50	50	50	50	50	50
18	Castlegate Arts Rent	8	8	8	8	8	8	8
19	Events	61	61	65	61	61	61	61
20	Community Galas	10	10	10	10	10	10	10
21	Lemon Tree Rent	36	36	36	36	36	36	36
22	Lemon Tree Office Rental	10	10	10	10	10	10	10
23	Crematorium Bus	46	46	46	46	46	46	46
24	Christmas & Hogmanay Celebrations	200	200	225	200	200	200	200
25	Hazlehead Park - Maintenance & Upgrade Works	30	30	30	30	0	0	0
26	Commonwealth Travel Bursary Scheme	20	20	0	0	0	0	0
		1,525	1,512	1,465	1,441	1,415	1,408	1,408
	Promoting Aberdeen							
27	Festive Community Grants	4	4	4	4	4	4	4
28	Civic Support	248	211	262	262	262	262	262
29	Christmas Illuminations and Festivals	173	157	184	179	179	179	179
30	Entertainment for Elderly/Disabled Citizens	50	50	0	0	0	0	0
31	Older Persons Development Officer	19	19	0	0	0	0	0
32	Civic Receptions	150	120	150	150	150	150	150
33	Civic Hospitality	20	12	20	20	20	20	20
		664	573	620	615	615	615	615
	Other Expenditure							
34	Archivist Unit	188	188	211	211	211	211	211
35	Central Support Services	120	120	120	120	120	120	120
		308	308	331	331	331	331	331
	Other Projects							
36	Home Safety Check Scheme	71	71	71	71	71	71	71
37	Charity Shop	16	16	16	16	16	16	16
38	Community Safety Initiatives (ABSAFE)	2	2	2	2	2	2	2
		89	89	89	89	89	89	89
	Other Recurring Expenditure							
39	Civic Gift Fund	18	15	18	18	18	18	18
40	Lord Lieutenancy and other duties	7	4	7	7	7	7	7
41	Armistice Day Expenses	6	6	6	6	6	6	6
42	Picture Loan Scheme	15	15	15	15	15	15	15
43	Business Investment Fund	15	15	0	0	0	0	0
44	Duthie Park Capital Charges	126	126	126	126	126	126	126
		186	181	171	171	172	172	172
	Recurring Expenditure	2,900	2,747	2,783	2,755	2,729	2,722	2,722
	Non Recurring Expenditure Items							
45	Lord Provost Portrait	5	5	5	0	0	0	0
	Upkeep of March Stones	10	10	0	0	0	0	0
	Contribution to Ferryhill Railway Heritage	10	10	0	0	0	0	0
	Contribution to Kirk of St Nicholas	10	10	0	0	0	0	0
	Contribution to Castlegate Arts (subject to Service Level Agreement)	40	40	0	0	0	0	0
	Contribution to Aberdeen Street Pastors	9	8	0	0	0	0	0
	Grant to Celebrate Aberdeen	20	20	0	0	0	0	0
	ACC Asset Management - Brimmond Hill - cattle grids/fencing	10	0	0	0	0	0	0
	ACC Asset Management - Bucksburn Farm - bollards	2	0	0	0	0	0	0
	ACC Asset Management - Smithfield Farm - roof repairs	10	10	0	0	0	0	0
	ACC Asset Management - Jessefield Farm - house doors	3	3	0	0	0	0	0
	Balnagask Community Centre	0	5	0	0	0	0	0
		129	121	5	0	0	0	0
	ORDINARY EXPENDITURE	3,029	2,868	2,788	2,755	2,729	2,722	2,722
46	Inflationary Charge - Increase in Cash Balance			168	175	183	191	200
	TOTAL EXPENDITURE	3,029	2,868	2,956	2,930	2,912	2,913	2,922

Common Good Fund Budget					*	*	*	*
Appendix 1 (cont)		2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Note		Budget	Outturn	Budget	Budget	Budget	Budget	Budget
		£000	£000	£000	£000	£000	£000	£000
47	Income from Properties and Estates	(2,900)	(2,900)	(3,200)	(3,200)	(3,200)	(3,200)	(3,200)
48	Interest on Invested Funds	(130)	(130)	(158)	(204)	(207)	(251)	(286)
49	Lands of Skene/Torry (Share of Surplus)	(70)	(70)	(70)	(70)	(70)	(70)	(70)
	ORDINARY INCOME	(3,100)	(3,100)	(3,428)	(3,474)	(3,477)	(3,521)	(3,556)
	TOTAL INCOME	(3,100)	(3,100)	(3,428)	(3,474)	(3,477)	(3,521)	(3,556)
	Net (Surplus)/Deficit	(72)	(232)	(472)	(545)	(566)	(608)	(634)

Appendix 2

Notes to accompany the Common Good Budget

Note 1

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

Note 2

This is a budget for repairs and maintenance costs for properties owned by the Common Good.

Note 3

This represents a contribution towards the fees paid to the Carillonneur.

Note 4

This budget is for items including the printing of the Town House brochure and promoting the Office of the Lord Provost. The budget has been removed from the Common Good as the service has agreed to absorb the cost.

Note 5

This budget is to provide refreshments during official City Council business. Legal Services advises that this does not fit the criteria for the Common Good and the budget has been included as a cost pressure in the General Fund.

Note 6

This represents core funding for Aberdeen Citizen's Advice Bureau. The increase represents a 1% inflationary increase.

Note 7

This funding is for the provision of financial and organisational support to people, communities and organisations in the City wishing to become involved in twin city projects, and also contributes to the costs of a Twinning Officer.

Note 8

This is a contribution towards the costs of Aberdeen International Youth Festival (£65,000), Aberdeen Performing Arts (£225,000) and Peacock Visual Arts (£35,000).

Note 9

This represents a contribution towards the running costs of the City's annual Techfest festival, held in various venues throughout the City during September.

Note 10

This is a grant to cover the cost of Satrosphere's rental of premises 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. Legal Services advises that this does not fit the criteria for the Common Good and the budget is included as a cost pressure in the General Fund.

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. Legal Services advises that this does not fit the criteria for the Common Good and the budget is included as a cost pressure in the General Fund.

Note 13

This is funding for the Mary Garden Prize, currently presented as part of the Aberdeen International Youth Festival. Legal Services advises that this does not fit the criteria for the Common Good and the budget is included as a cost pressure in the General Fund.

Note 14

This budget covers 3 annual £1,000 awards for the Quincentenary Prize, presented by the University of Aberdeen since 1995 to commemorate the 500th Anniversary of King's College. Legal Services advises that this does not fit the criteria for the Common Good. Following discussion with the University of Aberdeen it has been decided to discontinue the funding of the prizes.

Note 15

This provides match funding for Aberdeen Performing Arts in relation to a grant awarded by Creative Scotland towards the costs of programming at His Majesty's Theatre.

Note 16

This represents core funding for Aberdeen Safer Community Trust.

Note 17

This is funding for the City Council 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 grant to cover the cost of the rental of the Arts Centre.

Note 19

This is funding towards the costs of organising specific events as details in the events programme. The increased cost is due to the cost of the shed being replaced in the Nativity scene due to its dilapidated state – approved, subject to the budget process, at FP&R Committee on 1st December 2016.

Note 20

This is for grants towards community galas held in the city.

Note 21

This is a grant to cover the cost of the rental of the Lemon Tree.

Note 22

This is a grant to cover the cost of renting an office next to the Lemon Tree Theatre.

Note 23

This is a budget to provide for a bus service to the crematorium.

Note 24

This is to fund the City's Christmas and Hogmanay celebrations. The increase is due to the increased cost of the Hogmanay celebrations – approved, subject to the budget process, at F, P&R Committee on 1st December 2016.

Note 25

This is a budget towards the costs of maintenance and upgrade works at Hazlehead Park.

Note 26

This is to fund the Diamond Jubilee Commonwealth Travel Bursary for young people. The 5 years commitment ceases 2016/17.

Note 27

This is a budget towards the costs of festive events held at the Council's leased community centres.

Note 28

This is a budget for the Civic Support team, incorporating the Lord Provost's secretariat, Town Sergeants and civic transportation. The increase is due to increased salary costs.

Note 29

This is a budget for the cost of the Christmas illuminations. The increase is due to the start of a new contract which may require possible enhancements.

Note 30

This is a budget to cover the costs of administering and delivering the 50+ development programme and entertainment for the elderly and disabled. The programme is no longer being delivered as it was and the officer has moved to the Council's Events Team and the budget is included as a cost pressure in the General Fund.

Note 31

This is a budget to cover the salary costs of a development officer to work with elderly citizens. This has been removed from the Common Good as the service has agreed to absorb this cost.

Note 32

This is a budget to cover the costs of hosting civic receptions.

Note 33

This is a budget for promotional civic hospitality.

Note 34

This is a contribution towards the costs of running the City Archive Unit. The increased cost is due to salary increases.

Note 35

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

Note 36

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

Note 37

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

Note 38

This is funding for the personal alarms distributed on behalf of the City Council by Aberdeen Safer Community Trust.

Note 39

The Civic Gift Fund provides a budget for the purchase of gifts presented to guests and visitors by the Lord Provost on behalf of the City.

Note 40

This budget covers the costs incurred by the Lord Provost in discharging his duties as Lord Lieutenant.

Note 41

This budget covers the costs of the annual Armistice Day event.

Note 42

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

Note 43

This is a fund towards the costs of the Depute Provost's activities in building and enhancing business links for the benefit of the City of Aberdeen. This has been removed from the Common Good as the service has agreed to absorb the cost.

Note 44

This is a budget for the servicing of the capital debt for the upgrade to Duthie Park.

Note 45

These items are one-off items approved by Council for expenditure in 2016/17.

Note 46

This is a provision to protect the Fund's cash balances by inflation.

Note 47

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 and which is reflected in this budget.

Note 48

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

Note 49

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.

Appendix 3	
Items for Consideration for 2017/18 - One off Items	
Contribution towards Rob Roy Statue	£30,000
Befriend A Child Support Worker	£5,040
Aberdeen & North East Scotland Family History Society - Broad Street Exhibition	£7,000
RNLI - Contribution towards new Inshore lifeboat	£5,000
Aberdeen Illness & Disability Advice Service - payment of rent & overheads	£18,140
Aberdeen Performing Arts - replacement lift at HMT	£80,000
Homestart - contribution to rent of the charity shop	£5,000
	<u>£150,180</u>

Contribution towards Rob Roy Statue

The Rob Roy Preservation Trust seeks a contribution of £30,000 towards the total costs of £46,100 for the production and installation of a replacement Rob Roy statue to be sited above the Culter Burn.

Legal Services advises that support towards the proposal could meet the criteria of the Common Good.

Befriend a Child

A request for £5,040 being the costs of a support worker working with 14 families during 2017 is made by the Befriend a Child charity. While Children's Social Work colleagues are supportive of the work undertaken by Befriend a Child, they point out that the charity currently receives £40,000 a year from the Children's Social Work budget and are involved in work currently underway in relation to Public Social Partnership commissioning.

Legal Services advises that support towards the proposal could meet the criteria of the Common Good.

Aberdeen & North East Scotland Family History Society

The Family History Society seeks funding of £7,000 towards a research project exploring the lives of the people who lived and worked on Broad Street 100 years ago. The proposal is to have materials ready for exhibition at the time of the re-opening of Provost Skene's House.

Legal Services advises that support towards the proposal could meet the criteria of the Common Good.

Aberdeen Lifeboat Station

The RNLI is currently fundraising the sum of £52,000 to cover the costs of a new inshore lifeboat that will come into service in Aberdeen in 2018. It is suggested that a contribution of £5,000 would be appropriate should the Council wish to provide support.

Legal Services advises that support towards the proposal could meet the criteria of the Common Good.

Aberdeen Illness and Disability Advice Service

A request for funding of £18,140 has been made by the above towards the costs of office overheads (£14,300) and a part time appeals support worker (£3, 840). The Service receives an annual grant of £32,600 from the Fairer Aberdeen Fund but has recently lost the support of commercial sponsors that previously covered the organisation's office overheads. The Service offers support to clients from Aberdeenshire and Moray as well as those from Aberdeen City.

Legal Services advises that support towards the proposal could meet the criteria of the Common Good.

Aberdeen Performing Arts

APA requests a grant of £80,000 to cover the total cost of a replacement passenger lift at His Majesty's Theatre. With all available reserves committed to the Music Hall redevelopment, there are no funds available for the work required at HMT. Members will be mindful that APA receives £346,000 a year from the Common Good towards its costs.

Legal Services advises that support towards the proposal could meet the criteria of the Common Good.

Home-Start Aberdeen Charity Shop

A contribution of £5,000 is sought towards the costs of rental of the shop used by the organisation in George Street as a lease is agreed with a new landlord. The shop provides income towards the work of the Home-Start charity which is currently supporting over 200 families.

Legal Services advises that support towards the proposal could meet the criteria of the Common Good.

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	22 February, 2017
INTERIM DIRECTOR	Richard Ellis
TITLE OF REPORT	North East Scotland Pension Fund Budget 2017/18 - 2021/22
REPORT NUMBER:	CG/17/009
CHECKLIST COMPLETED:	YES

1. **PURPOSE OF REPORT**

- 1.1 The purpose of this report is to provide Council with details of the budget included in the 2017/18 – 2021/22 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 fully met by the NESPF.

2. **RECOMMENDATIONS**

- 2.1 It is recommended that Council:
 - a) Notes the provision contained within the Councils General Fund budget for 2017/18 to 2021/22;
 - b) Instructs the Head of Finance to recover the actual costs from the NESPF; and
 - c) Notes progress on the introduction of a Service Level Agreement (SLA).

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 by the Head of Finance.
- 3.2 In recovering these costs staff time is required both during the year and at the year end to calculate and evidence the level of actual costs incurred both from the Council and the NESPF.
- 3.3 This is an inefficient use of staff time and could lead to cost variances during the year and increases the level of uncertainty of financial reporting during the year.

3.4 A Service Level Agreement has now been completed and is currently with Legal Services for review. This document:

- details the level of service to be provided by the Council;
- provides details of the standard of work the NESPF can expect;
- clearly articulates the cost to the NESPF for these services; and
- demonstrates greater accountability and Best Value.

4. REPORT

4.1 FUND STRUCTURE

4.1.1 Aberdeen City Council, as the administering authority, is responsible for the administration of the Local Government Pension Scheme (LGPS), and does this through both the North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund.

4.1.2 The LGPS was established under the Superannuation Act 1972 and is a statutory scheme contracted out of the Second State Pension. Within the main Fund, the scheme is open to all employees of the 11 scheduled bodies, except for those whose employment entitles them to belong to another statutory pension scheme e.g. Teachers.

4.1.3 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.

4.1.4 The Aberdeen City Council Transport Fund was created in October 1986 for employees of the former passenger Transport Undertaking who transferred to the limited company now known as First Aberdeen, which was created at that time.

4.1.5 Due to the maturity of the Aberdeen City Council Transport Fund and taking into account that the Fund is closed the Administering Authority has implemented a De-Risking Strategy in consultation with the employer and the Schemes Actuary.

4.2 SCHEME GOVERNANCE

4.2.1 Aberdeen City Council, as the administering authority for the Pension Fund, delegates all pension scheme matters to the Pensions Committee who have delegated powers. Support to the Pensions Committee is provided by the Head of Finance and the Head of Legal & Democratic Services of Aberdeen City Council.

4.3 KEY FACTS FOR THE MAIN FUND – as at 31 March 2016

- 4.3.1 The main Fund has 61,329 members and 55 employers.
- 4.3.2 There are three main categories of membership, comprising of actively contributing members (24,546), members who have left employment but who have a deferred entitlement (18,455) and members in receipt of pensions (18,328).
- 4.3.3 A diversified portfolio of assets amounting to £3.2 billion is managed externally by a number of appointed fund managers.
- 4.3.4 Total pension contributions in 2015/16 were £120.2 million comprising employer contributions of £92.7 million and employee contributions of £27.5 million.
- 4.3.5 The Fund made payments to retired members during 2015/16 amounting to £91 million. During the same period a total of £18 million of lump sum payments were also made.
- 4.3.6 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”.
- 4.3.7 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.
- 4.3.8 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. Following the 31 March 2014 valuation the NESPF had a funding position of 94%.

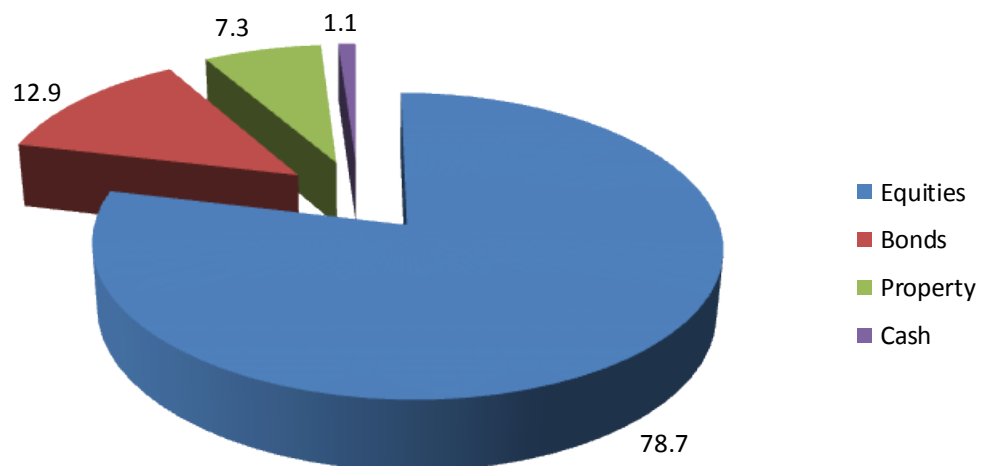
4.4 KEY ACHIEVEMENTS – 2015/16

- 4.4.1 The Fund’s outstanding achievement during 2015/16 was the continued implementation and promotion of our online data exchange facilities (i-Connect, Employer Services and ALCARE) which allow employers to provide information electronically to the Fund.
- 4.4.2 The mobilisation of these three technologies has improved data efficiency and accuracy, resulting in several benefits including:
- Monthly updates for 97% of active members
 - A reduction in the cost of processing member updates from £1.04 to £0.15
 - Reduced year end processing by 108 days

- 682,787 system updates automatically processed (up from 66,850 in 2014/15), reducing processing times and the potential for keying errors.
- 4.4.3 The Fund continued to evaluate administration performance as part of its Pension Administration Strategy (PAS). NESPF's overall performance for 2015/16 increased by 3% to 95% for KPIs and is the highest ever published.
- 4.4.4 Throughout the year the NESPF were involved locally and nationally to help deliver new LGPS requirements, participating in:
- National Pensions Group (SPLG) to discuss new scheme experience, administration and regulations
 - Class TWP and user group meetings to test pension software and discuss system performance and requirements going forward
 - Site visits and calls with other Fund's to discuss the NESPF's automated processing using i-Connect
- 4.4.5 With increasing membership levels the Benefits Team have dealt exceptionally well with the rising number of queries and administrative tasks; the team answered 14,500 calls, responded to over 5,000 emails and delivered 11 member courses and pension surgeries. Benefit statements were issued to over 36,000 active and deferred members.
- 4.4.6 The first ever customer satisfaction survey was conducted in 2016 which revealed 81% of respondents were satisfied or very satisfied with the overall service provided, while 77% were satisfied or very satisfied with Fund Communication.
- 4.4.7 Near the end of 2015/16 the Fund began the process of upgrading the online member self-service facility, My Pension, as part of the Fund's long term move to e-communications. The facility will be more user friendly, engaging and have increased functionality to enable members to automatically update details and calculate future pension value.
- 4.4.8 The Fund was nominated for four national awards including Best Use of IT and Technology, DB Scheme of the Year and Public Sector Scheme of the Year.
- 4.4.9 The Fund continues to recognise its role as a shareholder in terms of Corporate Governance and Responsible Investment voting at 210 Annual General Meetings/Special Meetings on 3,300 resolutions as well as holding membership of the Local Authority Pension Fund Forum and being signatories for the Sustainable Stock Exchange.

4.4.10 The asset allocation of NESPF 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 2016, as per the NESPF Annual Report 2016.

Asset allocation - Main Fund as at 31 March 2016



4.5 2017/18 BUDGET

4.5.1 The budget for Aberdeen City Council (ACC) for 2017/18 is estimated at £1.5 million and primarily relates to direct staff costs

Budget - cost areas	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Salary costs Direct salaries and costs for the management of the Fund	1,301	1,314	1,327	1,340	1,353
Support Costs <i>Property, ICT, Payroll, Legal, Human Resources, Accounting Services</i>	200	202	204	206	208
Total estimate recharge	1,501	1,516	1,531	1,546	1,561

4.6 GOVERNANCE

4.6.1 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 Committee on a quarterly basis.

5. IMPACT

5.1 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.

6. BACKGROUND PAPERS

North East Scotland Pension Fund Annual Report & Accounts (2015/16) and Fund Governance Policy Statement.

7. REPORT AUTHOR DETAILS

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