

# Public Document Pack



To: Councillor Houghton, Convener; Councillor Laing, Vice Convener; and Councillors Grant, Boulton, Cooke, John, McLellan, Alex Nicoll and Yuill.

Town House,  
ABERDEEN 3 August 2021

## **CITY GROWTH AND RESOURCES COMMITTEE**

The Members of the **CITY GROWTH AND RESOURCES COMMITTEE** are requested to meet remotely on **TUESDAY, 10 AUGUST 2021 at 2.00 pm.**

FRASER BELL  
CHIEF OFFICER - GOVERNANCE

In accordance with UK and Scottish Government guidance, meetings of this Committee will be held remotely as required. In these circumstances the meetings will be recorded and available on the Committee page on the website.

### **BUSINESS**

#### **NOTIFICATION OF URGENT BUSINESS**

1.1 Notification of Urgent Business

#### **DETERMINATION OF EXEMPT BUSINESS**

2.1 Determination of Exempt Business

#### **DECLARATIONS OF INTEREST**

3.1 Declarations of Interest (Pages 3 - 4)

#### **DEPUTATIONS**

4.1 Deputations

## **MINUTES OF PREVIOUS MEETING**

- 5.1 Minute of Previous Meeting of 24 June 2021 - For Approval (Pages 5 - 14)

## **COMMITTEE PLANNER**

- 6.1 Committee Planner (Pages 15 - 30)

## **NOTICES OF MOTION**

- 7.1 Notices of Motion

## **REFERRALS FROM COUNCIL, COMMITTEES AND SUB COMMITTEES**

- 8.1 Referrals from Council, Committees and Sub Committees

## **BUDGET**

- 9.1 Council Financial Performance, Quarter 1, 2021/22 - RES/21/168 (Pages 31 - 84)

## **EXEMPT/CONFIDENTIAL BUSINESS**

- 10.1 No Reports Under This Heading

EHRIAs related to reports on this agenda can be viewed [here](#)  
To access the Service Updates for this Committee please click [here](#)  
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Should you require any further information about this agenda, please contact Mark Masson, email [mmasson@aberdeencity.gov.uk](mailto:mmasson@aberdeencity.gov.uk), or telephone 01224 522989

## DECLARATIONS OF INTEREST

You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether reports for meetings raise any issue of declaration of interest. Your declaration of interest must be made under the standing item on the agenda, however if you do identify the need for a declaration of interest only when a particular matter is being discussed then you must declare the interest as soon as you realise it is necessary. The following wording may be helpful for you in making your declaration.

I declare an interest in item (x) for the following reasons .....

*For example, I know the applicant/ I am a member of the Board of X / I am employed by... and I will therefore withdraw from the meeting room during any discussion and voting on that item.*

**OR**

I have considered whether I require to declare an interest in item (x) for the following reasons ..... however, having applied the objective test, I consider that my interest is so remote / insignificant that it does not require me to remove myself from consideration of the item.

**OR**

I declare an interest in item (x) for the following reasons ..... however I consider that a specific exclusion applies as my interest is as a member of xxx, which is

- (a) a devolved public body as defined in Schedule 3 to the Act;
- (b) a public body established by enactment or in pursuance of statutory powers or by the authority of statute or a statutory scheme;
- (c) a body with whom there is in force an agreement which has been made in pursuance of Section 19 of the Enterprise and New Towns (Scotland) Act 1990 by Scottish Enterprise or Highlands and Islands Enterprise for the discharge by that body of any of the functions of Scottish Enterprise or, as the case may be, Highlands and Islands Enterprise; or
- (d) a body being a company:-
  - i. established wholly or mainly for the purpose of providing services to the Councillor's local authority; and
  - ii. which has entered into a contractual arrangement with that local authority for the supply of goods and/or services to that local authority.

**OR**

I declare an interest in item (x) for the following reasons.....and although the body is covered by a specific exclusion, the matter before the Committee is one that is quasi-judicial / regulatory in nature where the body I am a member of:

- is applying for a licence, a consent or an approval
- is making an objection or representation
- has a material interest concerning a licence consent or approval

- is the subject of a statutory order of a regulatory nature made or proposed to be made by the local authority.... and I will therefore withdraw from the meeting room during any discussion and voting on that item.

## CITY GROWTH AND RESOURCES COMMITTEE

ABERDEEN, 24 June 2021. Minute of Meeting of the CITY GROWTH AND RESOURCES COMMITTEE. Present:- Councillor Houghton, Convener; Councillor Laing, Vice-Convener; and Councillors Bell (as substitute for Councillor John), Boulton, Cameron (as substitute for Councillor McLellan), Cooke, Grant, Hutchison (as substitute for Councillor Cameron for articles 3 and 4 only), Alex Nicoll, Stewart, the Depute Provost (for article 5 and as substitute for Councillor Boulton for article 10 only) and Yuill.

The agenda and reports associated with this minute can be found [here](#).

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

### DETERMINATION OF EXEMPT BUSINESS

1. The Convener proposed that the Committee consider items 13.1 (Disposal of former Office and Training Centre, Frederick Street), 13.2 (Countesswells Development - Primary School) and 13.3 (Contract Terms and Conditions – Aberdeen Performing Arts) with the press and public excluded from the meeting.

#### **The Committee resolved:-**

in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of the above items so as to avoid disclosure of information of the classes described in the following paragraphs of Schedule 7(A) to the Act:- article 11 (paragraph 9) and articles 12 and 13 (paragraph 6).

### DECLARATIONS OF INTEREST

2. Members were requested to intimate any declarations of interest in respect of the items on today's agenda, thereafter the following were intimated:-

- (1) Councillor Hutchison declared an interest in item 5.1 (Minute of Previous Meeting of 11 May, 2021) and item 6.1 (Committee Planner), by virtue of him being a resident of George Street, given there was references to the street in those documents. He considered that the nature of his interest did not require him to leave the meeting, therefore he remained in the meeting throughout these items whilst substituting for Councillor Cameron;
- (2) Councillor Boulton declared an interest in item 13.3 (Contract Terms and Conditions – Aberdeen Performing Arts), by virtue of her being an Aberdeen City Council appointed Board member of Aberdeen Performing Arts. She indicated that a specific exclusion applied in terms of section 5.18.2 (i) of the Councillors Code of Conduct, therefore she remained in the meeting for consideration of the item;

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- (3) Councillor Yuill declared an interest in item 11.1 (Aberdeen Low Emission Zone – Preferred Option), by virtue of him owning a vehicle which did not comply with the emission standards of the proposed LEZ. He considered that the nature of his interest did not require him to leave the meeting and therefore chose to remain in the meeting for consideration of the item; and
- (4) Councillor Cooke declared an interest in item 11.1 (Aberdeen Low Emission Zone – Preferred Option), by virtue of him owning a vehicle which did not comply with the emission standards of the proposed LEZ. He considered that the nature of his interest did not require him to leave the meeting and therefore chose to remain in the meeting for consideration of the item.

### MINUTE OF PREVIOUS MEETING OF 11 MAY 2021 - FOR APPROVAL

3. The Committee had before it the minute of its previous meeting of 24 June 2021, for approval.

**The Committee resolved:-**

to approve the minute as a correct record.

### COMMITTEE PLANNER

4. The Committee had before it the Committee Business Planner prepared by the Chief Officer – Governance.

**The Committee resolved:-**

- (i) to remove item 4 (Performance Management Framework Report – City Growth and Resources), item 9 (Procurement Workplan and Business Cases – Capital) and item 18 (Aberdeen to Westhill Transport Corridor Study) from the planner for the reasons outlined therein;
- (ii) to note the reason for the reporting delay in relation to item 5 (Wellington Road STAG Part 2 Appraisal), item 8 (Information Plaques Relating to Slavery and Slavery Products) and item 29 (Denis Law Murals);
- (iii) in relation to item 60 (Sustainable Drainage System (SUDS) Section 7), to request that the Chief Officer – Operation and Protective Services circulate a progress update to members of the Committee, to include details of when a report would be submitted; and
- (vi) to otherwise note the content of the Committee Planner.

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**NOTICE OF MOTION BY COUNCILLOR JENNIFER STEWART, THE DEPUTE PROVOST - ST JOSEPH'S SCHOOL NURSERY**

5. The Committee had before it a Notice of Motion by Councillor Jennifer Stewart, the Depute Provost in the following terms:-

“that the City Growth and Resources Committee:-

- (1) Notes Aberdeen City Council’s Early Learning and Childcare Delivery Plan objectives which help meet the Council’s commitment to expand funded early learning and childcare from 600 hours to 1,140 hours across the City;
- (2) Notes the expansion of ELC requires an investment in our Early Years Estate as well as an investment in staffing to ensure the Council are providing high quality provision that meets the needs of children and families in all localities; and
- (3) Instructs the Chief Officer – Finance, following consultation with relevant officers, to include within the 2022/23 budget pack an outline business case including the feasibility and capital and revenue costs of increasing the number of full-time places at St Joseph’s School Nursery to 47 including possible options including the redevelopment of Bishop’s House or an on-site new build.”

Councillor Stewart spoke in support of her motion, explaining the rationale behind her request.

**The Committee resolved:-**

to adopt the motion.

**URGENT NOTICE OF MOTION BY COUNCILLOR RYAN HOUGHTON, CONVENER - LOCAL AUTHORITY DISCRETIONARY FUND**

6. The Committee had before it an urgent Notice of Motion by the Convener in the following terms:-

“that the City Growth and Resources Committee:-

- (1) Note over £70m Covid-19 Grant support has been disbursed to Aberdeen businesses by the City Growth Business Response Hub, and Committee commend Officers for their hard work in supporting our local economy and protecting jobs;
- (2) Note between 17 November 2020 and 9 February 2021, a £120m Local Authority Discretionary fund, was allocated to councils to disburse as targeted grant support to small and medium-sized enterprises who have received little or no Covid-19 financial assistance since October 2020 noting Aberdeen City Councils share was circa £6.00m;
- (3) Note to date £3.036m has been disbursed to 1,433 recipients based on the priorities set out by the Scottish Government guidance letter;
- (4) Note £3.087m Discretionary Funding remains for disbursement;

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- (5) Note the guidance issued by the Scottish Government which states “*local authority decisions on where they should direct their funding allocations must be based on their knowledge of the local economy and understanding of the impacts of COVID-19 regulations and restrictions on businesses within their area. Limits to the funding available through this scheme will inevitably require councils to prioritise which types of business should receive support and so local knowledge will be vital in determining where the funding will be most effectively deployed*”;
- (6) Instruct the Chief Officer - City Growth, following consultation with the Convener and Vice-Convenor of the City Growth and Resources Committee, to implement and deliver further rounds of grants, based on the guidance noted in (5) above, and subject to any relevant impact assessment requirements, in order to disburse the remaining funding to businesses, in accordance with the Aberdeen’s Socioeconomic Rescue Plan priorities; and
- (7) Instruct the Chief Officer – City Growth to submit an update report on the funding allocations at the 25 August 2021, City Growth and Resources Committee meeting.”

The Convener moved his motion and explained the rationale behind his request. He was seconded by Councillor Grant.

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

that the City Growth and Resources Committee approve the motion referred to above, subject to the removal of “following consultation with the Convener and Vice-Convenor of the City Growth and Resources Committee,” in (6) above.

On a division, there voted:- for the motion (5) – the Convener, the Vice Convenor and Councillors Bell, Boulton and Grant; for the amendment (4) – Councillors Cooke, Cameron, Nicoll and Yuill.

**The Committee resolved:-**

to adopt the motion.

### **ABERDEEN LOW EMISSION ZONE - PREFERRED OPTION - COM/21/149**

7. With reference to article 20 of the minute of 28 October 2020, the Committee had before it a report by the Chief Officer – Strategic Place Planning which presented Aberdeen’s proposed Low Emission Zone (LEZ) and sought approval to formally submit the scheme to Scottish Ministers following further consultation on and publication of the proposed scheme, assuming no significant changes to the proposals were required as a result of these processes.

**The report recommended:-**

that the Committee –



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- (a) agree the outcomes of the LEZ option appraisal and that Option 6 (encompassing the proposed LEZ boundary and supporting traffic management requirements as detailed in section 3.1.9) best meets the objectives of the Aberdeen LEZ;
- (b) instruct the Chief Officer – Strategic Place Planning to include consideration of access restrictions at the South College Street / Millburn Street junction within the business case development for Phase 2 of the South College Street Junction Improvement project, and to ensure that the business case includes programming considerations for works delivery in advance of LEZ enforcement commencing;
- (c) agree that 2 years is an appropriate grace period to enable residents, businesses and visitors time to comply with LEZ requirements;
- (d) instruct the Chief Officer – Strategic Place Planning to undertake a further eight-week period of public and stakeholder consultation and engagement on the proposed LEZ boundary and grace period;
- (e) delegate authority to the Chief Officer – Strategic Place Planning, in consultation with the Leader of the Council and the Convener of the City Growth and Resources Committee to publish the proposed LEZ scheme following the consultation period, and to formally submit Aberdeen’s LEZ proposal to Scottish Ministers; and
- (f) instruct the Chief Officer – Strategic Place Planning to submit the full financial model for the LEZ to the Council’s budget process for 2022/23.

**The Committee resolved:-**

to approve the recommendations.

### **UPDATE ON SPACES FOR PEOPLE INTERVENTIONS - COM/21/154**

8. With reference to article 12(ii) of the minute of the previous meeting of 11 May 2021, the Committee had before it a report by the Chief Officer – Strategic Place Planning which outlined the current situation with respect to COVID-19 pandemic and to make recommendations in relation to the current Spaces for People interventions.

**The report recommended:-**

that the Committee –

- (a) note the outcomes of the survey work and data collection done to date, but that due to lockdown restrictions remaining in place until recently (16th of April for Level 3 and 17th of May Level 2) only limited data was available by the committee report deadline;
- (b) note that the data collection has continued to show increased levels of pedestrians and cyclists using recreational routes and recreational destinations;
- (c) note the recommendations from the Director of Public Health for NHS Grampian that due to the improved public health position and significant vaccination coverage that once the city moves to Level 0 of the Scottish Government’s route map, that NHS Grampian would support the phasing out of the neighbourhood interventions at Rosemount, Torry and George Street;

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- (d) note that research is being undertaken by the Scottish Government into the need to maintain physical distancing which is expected to report later in the summer;
- (e) note continued support from both Police Scotland and Scottish Fire and Rescue in relation to the interventions, in particular that council officers continue to work with the emergency services to ensure that the interventions do not impact on their service provision;
- (f) note the instructions from City Growth and Resources in relation to the City Centre Masterplan reviews, the BHS and Market Buildings proposals as well as their relationship with Spaces for People measures, and that these are due to be reported to City Growth and Resources Committee in August;
- (g) note the recommendations of the Low Emission Zone report, presented to this Committee;
- (h) instruct the Chief Officers of Strategic Place Planning, Capital and Operations and Protective Services that in the context of the above to maintain the current interventions at this time but after the city moves to Level 0 that work commences on removal of the neighbourhood interventions; and
- (i) instruct the Chief Officers of Capital and Operations and Protective Services following consultation with the convener of City Growth and Resources, to agree the sequencing of the removals based on the timetable provided below, that timetable being three weeks to initiate works post instruction, and approximately 13 weeks to remove the interventions.

### **The Committee resolved:-**

- (i) to approve the recommendations;
- (ii) to note that in relation to current interventions, that the Chief Officer – Operations and Protective Services would investigate the possibility of improving parking in the proximity of the Art Gallery for Blue Badge holders; and
- (iii) to note that officers would engage with local Ward Members prior to the removal of the neighbourhood interventions.

### **INVESTOR READY PROPOSITIONS - COM/21/155**

9. With reference to article 12 of the minute of meeting of 3 February 2021, the Committee had before it a report by the Chief Officer – City Growth, which outlined the approach and methodology required to bring investor ready propositions to market, including resource implications and timescales for key projects within the various economic and infrastructure strategies.

### **The report recommended:-**

that the Committee –

- (a) note the key projects outlined in this report that are likely to be developed as investment proposals for the city;
- (b) note the four-phase approach that is employed to develop and bring investor ready propositions to market; and

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- (c) instruct the Chief Officer - City Growth to work with the Director of Resources to develop propositions for promotion by the Council and, Invest Aberdeen, to the Department for International Trade (DIT), Scottish Development International (SDI) and private sector investor events.

**The Committee resolved:-**

to approve the recommendations.

**FEASIBILITY OF A FOOD & CRAFTS MARKET - RUBISLAW TERRACE GARDENS - COM/21/159**

**10.** With reference to article 12(v) of the minute of the previous meeting of 11 May 2021, the Committee had before it a report by the Chief Officer – City Growth which provided details on the feasibility of a local food and crafts market in the vicinity of Rubislaw Terrace Gardens, in Summer 2021.

**The report recommended:-**

that the Committee –

- (a) note the findings of the work to date on the feasibility of a local food and crafts market in the vicinity of Rubislaw Terrace Gardens in Summer 2021;
- (b) agree that a market in Summer 2021 may not be feasible for the reasons noted in Section 4 of this report; and
- (c) instruct the Chief Officer - City Growth to continue to work with local partners to explore the possibility of Rubislaw Terrace Gardens as a potential location for markets in the near future and provide any information, advice or guidance to in response to any confirmed demand from businesses/ producers.

**The Committee resolved:-**

- (i) to approve the recommendations; and
- (ii) to instruct the Chief Officer – City Growth to investigate who would be liable for grass reinstatement works, following the removal of marquee infrastructure (e.g. on Queens Terrace Gardens) and that details be issued to all members of the Committee.

**In accordance with the decision recorded under article 1 of this minute, the following items of business were considered with the press and public excluded.**

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**DISPOSAL OF FORMER OFFICE AND TRAINING CENTRE, FREDERICK STREET - RES/21/148**

11. The Committee had before it a report by the Director of Resources which provided details on an offer received to purchase the former Council offices/training centre located on Frederick Street.

**The report recommended:-**

that the Committee –

- (a) accept the recommendation as detailed in paragraph 3.5 of this report; and
- (b) instruct the Chief Officer – Governance to conclude missives for the sale of the property incorporating various qualifications as are necessary to protect the Council's interest, together with any other matters as are required to complete the sale.

**The Committee resolved:-**

to approve the recommendations.

**COUNTESSWELLS DEVELOPMENT - PRIMARY SCHOOL (1) - RES/21/156**

12. With reference to article 14 of the minute of meeting of the Capital Programme Committee of 24 March 2021, the Committee had before it a report by the Director of Resources which provided an update on the current situation regarding the provision of Education within the Countesswells Development, Aberdeen City Council's legal obligations as set out in the Countesswells section 75 Agreement and the options for this in the future.

**The report recommended:-**

that the Committee –

- (a) note the position in relation to the payment of Developer contributions across the Countesswells Development;
- (b) instruct the Chief Officer - Capital to progress with the construction of the new primary school in accordance with previous council instructions; and
- (c) instruct the Chief Officer - Finance to amend the Capital Plan to reflect the risk around developer contributions at this development.

The Convener, seconded by the Vice Convener, moved:-

that the Committee:-

- (1) note the position in relation to the payment of Developer contributions across the Countesswells Development;
- (2) instruct the Chief Officer - Capital to progress with the construction of the new primary school in accordance with previous council instructions;
- (3) instruct the Chief Officer - Finance to amend the Capital Plan to reflect the risk around developer contributions at this development;

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- (4) note that Countesswells Development Limited (CDL) are £3,276,609 behind in Developers obligations whilst all other developers that are liable for making Developer Obligation payments are either up to date with their obligation or have made advanced payments;
- (5) note that payments of s75 obligations are monitored by the Development Obligations Team Leader and that high-level meetings have taken place with CDL and officers for payments to be brought up to date however as at today's date CDL are the only developer at Countesswells who remain behind on their Developers Obligation payments;
- (6) agree that CDL are in breach of their Developer Obligations as set out in their agreement with the Council and instruct Chief Officer – Strategic Place Planning to give CDL 30 days notice to bring their Developer Obligations up to date;
- (7) agree to instruct the Chief Officer - Governance to consider the legal remedies open to the Council, to ensure CDL bring their developer obligations up to date including whether there are any remedies to stop development on site until payments are brought up to date; and
- (8) agree that the Chief Officer - Governance following consultation with group leaders, will take necessary action to best protect the Councils' interest to ensure CDL bring their payments up to date in order to safeguard the Council.

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

- (1) agree (1) to (7) of the motion referred to above; and
- (2) agree that the Chief Officer – Governance will take necessary action to best protect the Councils' interest to ensure CDL bring their payments up to date in order to safeguard the Council, following the decision of an Urgent Business Committee.

On a division, there voted:- for the motion (5) – the Convener, the Vice Convener and Councillors Bell, Boulton and Grant; for the amendment (4) – Councillors Cameron, Cooke, Nicoll and Yuill.

**The Committee resolved:-**  
to adopt the motion.

**CONTRACTS, TERMS AND CONDITIONS - ABERDEEN PERFORMING ARTS - RES/21/153**

**13.** The Committee had before it a report by the Director of Resources which provided details of the opportunity to consider a proposal presented by Aberdeen Performing Arts (APA) in relation to the Admission and Transfer Agreements.

**The report recommended:-**

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that the Committee confirm that the Council would not agree to the changes to the Admission and Transfer Agreements that had been proposed by APA.

**The Committee resolved:-**

to approve the recommendation contained within the exempt report.

- **COUNCILLOR RYAN HOUGHTON, Convener**

	A	B	C	D	E	F	G	H	I
1	<b>CITY GROWTH AND RESOURCES COMMITTEE BUSINESS PLANNER</b>								
	The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	<b>Report Title</b>	<b>Minute Reference/Committee Decision or Purpose of Report</b>	<b>Update</b>	<b>Report Author</b>	<b>Chief Officer</b>	<b>Directorate</b>	<b>Terms of Reference</b>	<b>Delayed or Recommended for removal or transfer, enter either D, R, or T</b>	<b>Explanation if delayed, removed or transferred</b>
3			<b>10 August 2021</b>						
4	Council Financial Performance, Quarter 1, 2021/22	To present the Council's financial position for the quarter.	:	Lesley Fullerton	Finance	Resources	1.1		
5			<b>25 August 2021</b>						
6	Freeport/Greenport update	The CG&R on 11/5/21 agreed to instruct the Chief Officer - City Growth to report back to this Committee on the development and outcome of any proposals if they progress.		Jamie Coventry	City Growth	Commissioning			

	A	B	C	D	E	F	G	H	I
	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
2									
7	Performance Management Framework Report – City Growth and Resources	To inform Members of service delivery performance, commitments and priorities relating to City Growth and Resources as reflected within the Council's commissioning intentions and the Council Delivery Plan.		Alex Paterson	Chief Officer – Data and Insights	Customer	2.1.4		
8	Queen Street Redevelopment	Council on 6/3/18 agreed to instruct the Chief Officer – City Growth to bring forward an all options business case to the Capital Programme Committee in September 2018 on how best to proceed with Queens Square as part of the next phase of the masterplan.  The CG&R Committee on 28/10/20 agreed to instruct the Director of Resources to procure a development partner to develop options for the redevelopment of the area and report the results back to this Committee.		Sandy Beattie	Finance	Resources			
9	Bus Partnership Fund Bid	The CG&R Committee on 3/2/21 agreed to instruct the Chief Officer – Strategic Place Planning, to report back to this Committee on the success or otherwise of this bid, on any additional resource requirements to deliver a successful bid and, in consultation with the Chief Officer Governance and Chief Officer Finance, with recommendations for appropriate governance arrangements should the bid be successful, at its meeting on 10 August 2021		Joanna Murray	Strategic Place Planning	Commissioning			
10	Berryden Corridor Project	Council on 10/03/21 agreed (1) to instruct the Chief Officer - Capital to review the Berryden Corridor project and report back to the meeting of City Growth and Resources Committee on 10 August 2021 with updated costs and the implications for the Capital Programme; and (2) to note that by reviewing the Berryden Corridor project this supports the application to the Bus Partnership Fund for bus priority measures		Mike Matheson	Capital	Resources			
11	External Links to Aberdeen South Harbour – Updated Strategic Business Case	Agreement of a Business Case to be submitted to the UK and Scottish Governments to seek approval to progress to the design stage of the project.		Ken Neil	Strategic Place Planning	Commissioning	1.1.4		
12	Wellington Road Multimodal Corridor Study STAG Part 2	The CG&R Committee on 3/2/21 agreed to instruct the Chief Officer – Strategic Place Planning to continue with the Wellington Road Multimodal Corridor Study, ensuring that subsequent appraisal work reflects the decision of this Committee on a preferred option from the External Transportation Links to the Aberdeen South Harbour study, and to report the outcomes of the Wellington Road STAG Part 2 appraisal to this Committee in June 2021	Originally due at the meeting on 24/6/21, however the outcomes of the study are currently under consideration and additional time is required to review the study and develop an optimum solution for this corridor. Defer to 25 August 2021 meeting.	Will Hekelaar	Strategic Place Planning	Commissioning			



	A	B	C	D	E	F	G	H	I
	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
2									
13	Procurement Workplan and Business Cases - Capital	The purpose of this report is to present procurement workplans for each Function to Committee for review and to seek approval of the total estimated capital expenditure for the proposed contracts as required by ACC Procurement Regulations 2021.	There may not be a need to present a report for each meeting, this would be dependant on submission of business cases required.	Mel Mackenzie	Head of Commercial and Procurement	Commissioning	1.1.6	R	No Business Cases to be reported to Committee this cycle.
14	Commemorative and Court Plaques Policy	Seeking Committee approval for a revised version of the Council's Commemorative and Court Plaques Policy, last revised in 2002.		Katy Kavanagh	City Growth	Commissioning	2.1.5		
15	Joint Integrated Mortuary Project	Council on 10/03/21 agreed to instruct the Director of Resources to report back to the City Growth and Resources Committee on 11 May 2021 on the negotiations that have taken place to secure a suitable funding package to enable the progression of the Joint Integrated Mortuary project	This was due at the 11/5/2021 meeting, however officers decided to withdraw the report and defer until August Committee meeting to enable sufficient time for a robust financial delivery solution to be developed.	Sandy Beattie	Finance	Resources	3.2 & 3.3		
16	Prosperity Fund	Council on 10/03/21 agreed to note the UK shared Prosperity Fund set up by the UK Government, noting that the funding will be available to local authorities. Instruct the Chief Executive to bring forward a report to the next City Growth and Resources Committee on how best the Council should work with the UK Government to ensure the Council receives its fair share of funding.	Originally due at 11/05/2021 meeting, however, officers were awaiting the publication of the UK Government's prospectus for the Prosperity Fund which is due to be published in summer. A report will be brought before Committee in August 2021 following the release of the UK Shared Prosperity Prospectus which will detail the criteria of the fund including the deadline for applications to be submitted which is anticipated to be around April 2022.	Stuart Bews	City Growth	Commissioning		D	Originally due at 11/05/2021 meeting, however, officers are still awaiting the publication of the UK Government's prospectus for the Prosperity Fund which was due to be published in summer. A report will be brought before Committee in November 2021 following the release of the UK Shared Prosperity Prospectus which will detail the criteria of the fund including the deadline for applications to be submitted which is anticipated to be around April 2022.
17	City Centre Masterplan	The CG&R Committee on 11/5/21 agreed (1) to instruct the Director of Resources to carry out a review of the Aberdeen City Centre Master plan Objectives and their associated workstreams as contained within the 2015 approved Masterplan and to report back findings to the City Growth and Resources Committee on 10 August 2021 and also to report back on the Phase 1 and 2 projects contained within the city centre masterplan as approved in 2015; (2) instruct the Chief Officer - City Growth and the Communication and Marketing Manager to use the CCMP Review to integrate further "smart city thinking" into our medium-term plans to develop and undertake engagement exercise with the public, all appropriate partners and stakeholders to seek their views on the City Centre Review, what it would take to attract them back to the city centre in the short-term, how the changed travel patterns and reductions in travel experienced throughout the pandemic can be embedded and report the results to the City Growth & Resources Committee in August 2021, as part of the CCMP report detailing how best the city can be a leader in the digital economy		Sandy Beattie/ Richard Sweetnam/ David Ewen	Corporate Landlord	Resources			

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2									
18	Review and Visioning Exercise on the Streetscape and Infrastructure Works for the whole length of Union Street	The CG&R Committee on 11/5/21 agreed that notwithstanding any decision taken by Committee in respect of item 12.2 (Market/Union Street) on the agenda, agrees to instruct the Director of Resources to carry out a review and visioning exercise on the streetscape and infrastructure works for the whole length of Union Street and to report back the outcomes to the August 2021 Committee.	Details regarding this will be incorporated within the City Centre Masterplan report.	Sandy Beattie	Corporate Landlord	Resources		R	Details regarding this will be incorporated within the City Centre Masterplan report.
19	Beach Masterplan	The CG&R Committee on 11/5/21 agreed to instruct the Director of Resources to report back an update on the output of the technical feasibility studies, public consultation and proposed Beach Masterplan to the City, Growth and Resources Committee on the 10th August 2021		Craig Innes	Head of Commercial and Procurement	Resources			
20	Aberdeen City's Affordable Housing Delivery Programme	Provide an update on the Aberdeen City affordable housing delivery programme and approve allocation of funding.		Mel Booth	Strategic Place Planning	Commissioning	1.1.7		
21	Denis Law Projects Update	The CG&R Committee on 11/5/21 agreed to defer all options as outlined in the report. Instruct the Chief Officer - City Growth to work with the Denis Law Legacy Trust and representatives of the St Joseph Church and community representatives to bring forward to the August committee meeting of the City Growth and Resources Committee a feasibility study outlining timescales and costs for the delivery of the murals as outlined in paragraph 3.5 of the report	Originally due at 24/6/21 meeting, however In order to fulfil the action expected, Officers will need to conduct a robust consultation with residents as well as undertake a survey of the buildings involved. Due to procurement timescales for a survey of the building walls and the process of designing, delivering and assessing the consultation, it would not be feasible to submit a report to the August meeting.	David Officer	City Growth	Commissioning	3.2		

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2									
22	Place Based Investment Fund	Require Committee Instruction to spend the allocated Place Based Investment Fund in Aberdeen.		Stuart Bews	City Growth	Commissioning	1.1.7		
23	Disposal of Eastside of Carnie Farmhouse	To advise Committee of the outcome of the Closing Date set for the Disposal of the Eastside of Carnie Farmhouse.		Cate Armstrong	Corporate Landlord	Resources	4.1 & 4.4		
24	Aberdeen Market - Full Business Case	The CG&R Committee on 11/5/21 agreed the outline business case for the former site of the Aberdeen Market and former BHS retail unit and that this progress to Full Business Case, considering all options to deliver the development including delivery with a development partner and operator and to report the outcome of this to this committee at the earliest opportunity.	This will be an update report,	Sandy Beattie	Corporate Landlord	Resources			
25			<b>03 November 2021</b>						
26	Condition & Suitability 3 Year Programme	This report seeks approval of an updated 3-year Condition and Suitability (C&S) Programme.		Alastair Reid	Corporate Landlord	Resources	4.1		
27	Performance Management Framework Report – City Growth and Resources	To inform Members of service delivery performance, commitments and priorities relating to City Growth and Resources as reflected within the Council's commissioning intentions and the Council Delivery Plan.		Alex Paterson	Chief Officer – Data and Insights	Customer	2.1.4		
28	Unrecoverable Debt	To advise numbers and values of Council Tax, Non-Domestic Rates, Housing Benefit Overpayments and Rent made unrecoverable during 2020/21 as required in terms of Financial Regulations and approve Non-Domestic Rates write offs in excess of £25,000		Wayne Connell	Chief Officer- Customer Experience	Customer	1.1		
29	Council Financial Performance, Quarter 2, 2021/22	To present the Council's financial position for the quarter.		Lesley Fullerton	Finance	Resources	1.1		
30	Car Parking Framework	The CG&R Committee on 6 June 2019 agreed to note the findings of the SCPR and instruct the Chief Officer – Strategic Place Planning to develop a draft Car Parking Strategy and to report back to this Committee in summer 2020.	Originally due at the August 2020 meeting, however development of the Car Parking Framework has been delayed due to sensitivities in terms of consulting with members of the public and stakeholders on such an issue during this time, given the disruption that has been caused to residents and businesses and to the city centre economy by the pandemic and ongoing restrictions, and the mixed reaction to the temporary city centre Spaces for People measures. Assuming that the impacts of the pandemic lessen as a vaccine is rolled out, the car parking consultation will be revisited in late 2021.	Will Hekelaar	Strategic Place Planning	Commissioning	3.3		

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2	Annual Committee Effectiveness Report	To present the Annual Effectiveness report for the Committee.		Mark Masson	Governance	Commissioning	GD 8.5		
31									

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
32	Medium Term Financial Strategy	Council on 10/03/21 agreed to instruct the Chief Officer - Finance to refresh the Medium-Term Financial Strategy and report it to the City Growth and Resources Committee on 3 November 2021.		Jonathan Belford	Finance	Resources			
33	Developer Obligations	Council on 10/03/21 agreed that given the significant impact on the development industry in the last 12 months, instruct the Chief Officer - Strategic Place Planning to report to the City Growth and Resources Committee by the end of 2021 on the legally binding developer obligations that have been signed with the Council		David Dunne/David Berry	Strategic Place Planning	Commissioning	3.2		
34	Socio Economic Rescue Plan and ACC Business Charter	<p>The CG&amp;R Committee on 11/5/21 agreed to note the successful delivery of this plan and agrees for a report to be submitted to the meeting on 3 November 2021 of this Committee, providing information on the recovery initiatives, including budget allocations, undertaken in 2021/22.</p> <p>The UBC on 30 June 2020 agreed to instruct the Chief Officer City Growth, following consultation with the Chief Officer Customer Services, to take all actions necessary in order to implement the ACC Business Charter working with the relevant Council services and business network representatives; instructs the relevant Chief Officers to monitor performance in delivering the charter; and report back to the Council's City Growth &amp; Resources Committee.</p>		Jim Johnstone	City Growth	Commissioning			
35	Chapel Street Car Park	The CG&R Committee on 11/5/21 approved in principle the allocation of 400 spaces in the Chapel Street Car Park at the rental identified in the report (being index linked and excluding VAT) subject to a minimum 15-year lease with the proposed occupier of the building outlined in the report and report back to a future meeting of this Committee not later than November 2021 on progress		Stephen Booth	Corporate Landlord	Resources			

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36	Information Plaques Relating to Slavery and Slavery Products	The CG&R Committee on 3/2/21 agreed to instruct the Chief Officer - City Growth to report to the City Growth and Resources Committee on the practicalities and projected costs of identifying locations and street names in Aberdeen with links to slavery and slavery products and then erecting appropriate information plaques at each location.	Originally due at 24/6/21 meeting, however this is an extensive piece of work. Officers need to assess contents of city plaques (c.120) and Aberdeen street names (3197) for connections to slavery and slavery products to give an indication of costs associated with any new interpretation; plus clear understanding of process, resources and costs to seek and gain permission from property owners where such an interpretation plaque may be placed. For a holistic review considerable resources would need to be applied to this undertaking. Officers believe the report won't be available before summer.	Jenny Brown	City Growth	Commissioning			
37	Procurement Workplan and Business Cases - Capital	The purpose of this report is to present procurement workplans for each Function to Committee for review and to seek approval of the total estimated capital expenditure for the proposed contracts as required by ACC Procurement Regulations 2021.	There may not be a need to present a report for each meeting, this would be dependant on submission of business cases required.	Mel Mackenzie	Head of Commercial and Procurement	Commissioning	1.1.6		
38			<b>03 February 2022</b>						
39	Local Authority Bus Services/Controlled Bus Companies	The CG&R Committee on 26/09/19 agreed to instruct the Director of Resources to monitor the sale position of First Aberdeen Limited and report back to the City Growth and Resources Committee on 6 February 2020 with an update on the proposed sale and recommended next steps for the Council.  The CG&R Committee on 28/10/20 agreed that given that First Bus has indicated it is no longer for sale, instruct the Chief Officer – Strategic Place Planning to report back to the City Growth and Resources Committee in February 2022 with the steps that would be necessary to establish the setting up by the Council of a municipal bus company as part of the Council's commitment to green energy and net zero and in order to fulfil any obligations under any low emission zone that the Council may wish to implement.		Gale Beattie	Strategic Place Planning	Commissioning	1.1.8 & 3.2		
40	Procurement Workplan and Business Cases - Capital	The purpose of this report is to present procurement workplans for each Function to Committee for review and to seek approval of the total estimated capital expenditure for the proposed contracts as required by ACC Procurement Regulations 2021.	There may not be a need to present a report for each meeting, this would be dependant on submission of business cases required.	Mel Mackenzie	Head of Commercial and Procurement	Commissioning	1.1.6		

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41	City Centre Multi Storey Blocks - Option Appraisal	Council on 10/03/21 agreed (1) to approve £250,000 from the Housing Capital Programme to undertake a full option appraisal on the city centre multi storey blocks to consider future development and investment opportunities; and (2) to instruct the Chief Officer - Corporate Landlord to report back the outcome from the option appraisal of (1) above to the City Growth and Resources Committee no later than March 2022		Stephen Booth	Corporate Landlord	Resources			
42	Developer Obligations - Asset Plans	<p>The CG&amp;R Committee on 26/09/19 agreed to note that the Chief Officer – Strategic Place Planning would undertake the consultation on the draft Asset Plan template as outlined within this report and report the outcomes to a future meeting of this committee.</p> <p>The CG&amp;R Committee on 11/05/2021 agreed that a Service Update be circulated.</p>	Originally due on 11/5/21, however, due to instruction from Council on 10/03/21 "that given the significant impact on the development industry in the last 12 months, to instruct the Chief Officer - Strategic Place Planning to report to the City Growth and Resources Committee by the end of 2021 on the legally binding developer obligations that have been signed with the Council" combined with the ongoing impact of COVID and the work being undertaken looking at community benefit, it is proposed to report back to this committee after that report and any subsequent instructions from City Growth and Resources Committee, and in the interim look at what opportunities there are to combine the asset plans with existing or proposed community engagement to reduce the burden on communities.	David Dunne/David Berry	Strategic Place Planning	Commissioning	3.2		
43	Energy Transition Zone Training and Jobs Plan	Council on 3 March 2020 agreed to instruct the Chief Officer City Growth to evaluate the Energy Transition Zone Training and Jobs Plan and report back to the Council's City Growth and Resources Committee on 28 October 2020 on the extent to which local people are accessing training or job opportunities that are generated if any development occurs.	A key element of the overall business case for the ETZ, being led by Opportunity North East, is that Aberdeen Harbour is the location of choice for developers and suppliers to the ScotWind East Region Sites. In response, Skills Development Scotland, supported by NESCOL is leading a workstream that will focus on development of an energy transition skills programme, that will also involve the Council and the universities so that local people in the city are able to access new training and jobs opportunities in offshore wind, carbon capture, utilization and storage (CCUS) and Hydrogen. It is also intended to promote and stimulate broader 'green skills' that will also be in demand as the city responds to the net zero vision and the Council's own Route Map.	Angela Taylor	City Growth	Commissioning	3.2		

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44	Performance Management Framework Report – City Growth and Resources	To inform Members of service delivery performance, commitments and priorities relating to City Growth and Resources as reflected within the Council's commissioning intentions and the Council Delivery Plan.		Alex Paterson	Chief Officer – Data and Insights	Customer	2.1.4		
45	Sustainable Drainage System (SUDS) Section 7	Maintenance of SuDS within the boundaries or curtilage of a private property, such as a residential driveway or a supermarket car park, is the responsibility of the land owner or occupier. The Scottish Environment Protection Agency's (SEPA's) preference is for SuDS constructed outside the boundaries or curtilage of a private property to be adopted by Scottish Water, the local authority or a public body, and as such SEPA seeks a guarantee for the long term maintenance and sustainability of any SuDS implemented.	This was originally due to be reported to the June 2019 meeting. Officers had consulted other LAs to determine how they came to the decision as to whether to sign up to the MOU with Scottish Water and have found that the interpretation of what Scottish Water consider to be below ground, and therefore their responsibility for maintenance, is key. We have asked for clarification from Scottish Water and are awaiting a response. Without this clarification we are not in a position to make a recommendation as to whether the MOU should be signed. A Service Update will be circulated. A Service Update was circulated on 21 January 2021.	Claire Royce	Operations and Protective Services	Operations	3.2 and 3.3		
46			<b>21 June 2022</b>						
47	Roads and Transport Related Budget Programme 2022 - 2023 (Annual Report)	This report is Business Critical to spend the allocated capital Budget approved at the Council Budget meeting and brings together the proposed roads and transportation programme from the approved Capital Budgets for 2022/2023. This is presented as a provisional programme and Members are asked to approve specific schemes where detailed and the budget headings for the remainder. In addition provisional programmes for 2023/24 and 2024/25 are also included where possible.	To be submitted at the first CG&R meeting following the Council Budget Meeting in March 2022	Doug Ritchie	Operations and Protective Services	Operations			



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2									
	Performance Management Framework Report – City Growth and Resources	To inform Members of service delivery performance, commitments and priorities relating to City Growth and Resources as reflected within the Council's commissioning intentions and the Council Delivery Plan.		Alex Paterson	Chief Officer – Data and Insights	Customer	2.1.4		
48	Procurement Workplan and Business Cases - Capital	The purpose of this report is to present procurement workplans for each Function to Committee for review and to seek approval of the total estimated capital expenditure for the proposed contracts as required by ACC Procurement Regulations 2021.	There may not be a need to present a report for each meeting, this would be dependant on submission of business cases required.	Mel Mackenzie	Head of Commercial and Procurement	Commissioning	1.1.6		
49	Flood Risk Management Strategies	The CG&R Committee on 3/2/21 agreed to instruct the Chief Officer – Operations and Protective Services to bring a report on the final Flood Risk Management Strategies and Plans to this Committee at the first possible meeting following the end of the consultation		Claire Royce	Operations and Protective Services	Operations	3.2 & 3.3		
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51			<b>4 August 2022 (Special)</b>						
52	Council Financial Performance, Quarter 1 2022/23	To present the Council's financial position for the quarter.		Lesley Fullerton	Finance	Resources	1.1		
53			<b>21 September 2022</b>						
54	Review of School Estate	Council on 6/3/18 agreed to instruct the Chief Officer – Corporate Landlord to bring a review of the School Estate report within the next 9 months to the Education Operational Delivery Committee, thereafter to forward the report to the Capital Programme Committee.	Council on 3/3/21 agreed to instruct the Chief Officer - Corporate Landlord to present the finalised School Estate Plan to the Education Operational Delivery Committee in summer 2022. Officers will recommend that the report is thereafter forwarded to the City Growth and Resources Committee.	Stephen Booth / Andrew Jones	Corporate Landlord	Resources	4.1		
55	Performance Management Framework Report – City Growth and Resources	To inform Members of service delivery performance, commitments and priorities relating to City Growth and Resources as reflected within the Council's commissioning intentions and the Council Delivery Plan.		Alex Paterson	Chief Officer – Data and Insights	Customer	2.1.4		
56	Procurement Workplan and Business Cases - Capital	The purpose of this report is to present procurement workplans for each Function to Committee for review and to seek approval of the total estimated capital expenditure for the proposed contracts as required by ACC Procurement Regulations 2021.	There may not be a need to present a report for each meeting, this would be dependant on submission of business cases required.	Mel Mackenzie	Head of Commercial and Procurement	Commissioning	1.1.6		
57			<b>2 November 2022 (Special)</b>						

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2									
58	Council Financial Performance, Quarter 2 2022/23	To present the Council's financial position for the quarter.		Lesley Fullerton	Finance	Resources	1.1		
59			<b>07 December 2022</b>						
60	Proposals for Investment for Works at Riverbank School to Accommodate the Relocation of St. Peter's School	Council on 3 March 2020 agreed to instruct the Chief Officer Corporate Landlord to take forward the proposals for investment for works at Riverbank School to accommodate the relocation of St. Peter's School once Riverbank School relocates to the City Growth and Resources Committee on 28 October 2020 with an indicative programme.	Given the Council decision on 10/03/21 (See Column B) a report will now be submitted in late 2022.	Andrew Jones/Maria Thies	Corporate Landlord	Resources	4.1		
61	Performance Management Framework Report – City Growth and Resources	To inform Members of service delivery performance, commitments and priorities relating to City Growth and Resources as reflected within the Council's commissioning intentions and the Council Delivery Plan.		Alex Paterson	Chief Officer – Data and Insights	Customer	2.1.4		
62	Procurement Workplan and Business Cases - Capital	The purpose of this report is to present procurement workplans for each Function to Committee for review and to seek approval of the total estimated capital expenditure for the proposed contracts as required by ACC Procurement Regulations 2021.	There may not be a need to present a report for each meeting, this would be dependant on submission of business cases required.	Mel Mackenzie	Head of Commercial and Procurement	Commissioning	1.1.6		
63			<b>TBC</b>						
64	Impact on Aberdeen of Scottish Government Funding	Council on 5/3/18 agreed as part of our commitment to Civic Leadership and Urban Governance instruct the Chief Executive to bring a report to the City Growth and Resources Committee working with partners to include our ALEOs, Aberdeen and Grampian Chamber of Commerce, Aberdeen Burgesses Federation of Small Businesses, Opportunity North East, and Scottish Enterprise to assess the impact on Aberdeen of Scottish Government funding in comparison to the funding received by other local authorities and identify how the council can encourage the Scottish Government to provide a better financial settlement for Aberdeen.		Richard Sweetnam	City Growth	Commissioning	1.1 & 3.2		



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	Council Housing	Council on 10/03/21 agreed to note that a second tranche procurement exercise is being progressed to seek out further opportunities for developer led proposals and report the outcome of this to a future meeting of the City Growth and Resources Committee and to note that this will exceed the 2,000 houses if successful.	Capital Programme Committee resolved (i) to note the progress to deliver the programme of social housing sites across the city per Appendix 1; (v) to instruct the Chief Officer Capital to pause negotiations around the Granitehill site immediately in order for the Council to concentrate on progressing the developer led sites at Auchmill Road, Cloverhill and Grandhome as noted at 3.22 of the report; and (vi) to instruct the Director of Resources to stop any further housing developer led procurement exercises to concentrate on prioritising the current developer led sites that are underway as per resolution (v) above.	Stephen Booth	Corporate Landlord	Resources		R	It is recommended that this item is now removed from the Committee planner following the decision taken by Capital Programme Committee on 26 May 2021 - Decision in column C
70	Living Wall	The CG&R Committee on 3/2/2021 agreed to instruct the Chief Officer – City Growth, to investigate alternative ways to deliver a living wall in the city centre and to report back to the May meeting of the Committee.  The CG&R Committee on 11/5/2021 agreed to retain this item on the planner for the timebeing.	A report will be brought back to Committee by officers if and when funding streams become available	Stuart Bews	City Growth	Commissioning			
71	Infrastructure Improvements to support increased numbers of Electric Vehicles within the council fleet	The CG&R Committee on 11/5/21 agreed to instruct Chief Officer - Corporate Landlord in consultation with Chief Officer - Operations and Protective Services and Chief Officer - Strategic Place Planning to report to a future meeting of this committee with a programme of infrastructure improvements to support increased numbers of electric vehicles within the council fleet		Stephen Booth	Corporate Landlord	Resources			
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## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	City Growth and Resources
<b>DATE</b>	10 August 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Council Financial Performance – Quarter 1, 2021/22
<b>REPORT NUMBER</b>	RES/21/168
<b>DIRECTOR</b>	Steven Whyte
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Lesley Fullerton
<b>TERMS OF REFERENCE</b>	1.1

### 1. PURPOSE OF REPORT

- 1.1 To provide the financial position of the Council as at Quarter 1 (30 June 2021) and the full year forecast position for the financial year 2020/21, including:
- General Fund and Housing Revenue Account (HRA) and capital accounts; and associated Balance Sheet; and
  - Common Good revenue account and Balance Sheet.

### 2. RECOMMENDATION(S)

That the Committee: -

- 2.1 Note the positive cash position that has been achieved for the General Fund and HRA to the end of Quarter 1 as detailed in Appendix 1;
- 2.2 Note the Common Good financial performance to the end of Quarter 1 as detailed in Appendix 3;
- 2.3 Note that the General Fund full year forecast position, as detailed in Appendix 2, is expected to show a balanced position for 2021/22 through the mitigations contained within the report;
- 2.4 Note that the HRA full year forecast position, as detailed in Appendix 2, is on target to achieve the approved budget, making a contribution to HRA reserves for 2021/22;
- 2.5 Note that the forecast for General Fund capital expenditure is that there will lower spend than has been profiled for 2021/22, and for Housing capital expenditure this will be on budget, as described in Appendix 2;
- 2.6 Agree the financial resilience framework that has been described in Appendix 5 and note that this will be developed further and incorporated into the refreshed

Medium Term Financial Strategy, which will be presented to the Committee at its November meeting.

### **3. BACKGROUND**

- 3.1 The Local Government Finance Act 1992 provides that the Council must set its Council Tax amount by 11 March each year for the next financial year. The amount set must be sufficient to meet total estimated expenditures. This means that having taken account of expenditure, agreed savings and income from other sources, the level of Council Tax must ensure that a balanced budget is set by the Council. Aberdeen City Council set the Council Tax for 2021/22 on 10 March 2021 to ensure a balanced budget for year ahead, in accordance with its statutory duty.
- 3.2 This report focuses on both the financial performance for the year to 31 June 2021 and the forecast financial position for the full year for the Council's General Fund, Housing Revenue Account and Common Good.
- 3.3 Across the General Fund the impact of the ever-changing Covid-19 environment continues to change our understanding of the financial position, and the need to address ongoing costs pressures remains a feature as I report our quarter 1 position and forecasts.
- 3.4 The appendices show that the IJB is forecasting a balanced position as at Quarter 1. The Board continue to rely on the Ministerial commitment to fund all of the identified mobilisation costs and therefore expect further funding announced to meet any shortfall. The Council continues to rely on this.
- 3.5 Further financial risks continue to emerge as the pandemic and the consequences continues and where these are known have been taken into account in the financial forecasts.
- 3.6 The Council retains a contingency budget to address unexpected and unplanned expenditure which could arise as a result of the identified contingent liabilities coming to fruition or from risks included on the corporate and operational risks registers. The Risk Board routinely reviews the risk registers, and the Chief Officer - Finance tracks the contingent liabilities. The Council were advised on 10 March 2021 that there has been a change in the nature of the contingent liability for development obligations under s75 agreements and instructed the Chief Officer - Strategic Place Planning to report to this Committee by the end of 2021 on the legally binding developer obligations that have been signed with the Council. The Council should look to consider the options to mitigate the risk.
- 3.7 As referenced above, an operational deficit of £13.6m is currently forecast based on this latest data, and this will be met from earmarked reserves held on the Council Balance Sheet.



- 3.8 While the earmarked reserves provide the solution at this time, these are finite and if the situation changes then further consideration of the situation would have to be made.
- 3.9 Changes that would benefit the Council in the short to medium term continue to be discussed at a national level, with the fiscal flexibilities that I described last year not yet available. The Council has budgeted to make use of those that have been put in place (i.e. the loans fund repayment deferral) but the larger impact on the Council finances would be in relation to the Service Concession flexibilities (i.e. changes proposed in accounting treatment for the PPP contracts). As this flexibility continues to be discussed between Scottish Government and Cosla I have not taken any benefit from this being applied in 2021/22 as this is very uncertain. I will update the Committee as the discussions develop. Turning to the General Fund Capital Programme, all capital works have been affected by the lockdown restrictions and continue to be a factor in achieving the progress expected. That said, substantial progress is being made on key sites and completions are due later in the year. Spending is expected to be less than had been profiled for 2021/22 but consideration will have to be given to the rising costs in some areas of the programme, as detailed in Appendix 2.
- 3.10 The Capital Programme spend being lower than budget, primarily due to the timing of expenditure, will reduce the requirement for borrowing during the financial year. Project progress is monitored through the Capital Programme Committee.
- 3.11 The Housing Revenue Account is forecasting to be on budget and the associated Housing Capital Programme is currently expected to be in line with spending plans for 2021/22.
- 3.12 The Common Good is expected to spend less than budget, primarily due to the cancellation of some events in the early part of the year. The investment of cash balances is being put in place and Fidelity has been chosen as the fund manager. The investment will be transacted during quarter 2.
- 3.13 Summary of Financial Statement Appendices

1. The financial statements reflect the income and expenditure of the General Fund and Housing accounts for the period to 30 June 2021 and, where the impact of statutory accounting adjustments can be calculated, these have been reflected in the financial statements as required by International Financial Reporting Standards (IFRS). The position at 30 June 2021 is positive as the profile of income from Scottish Government support expenditure levels.

The Balance Sheet figures at 30 June 2021 overall increase in net worth of the Council to £1.5 billion. The figures shown include statutory adjustments where these have been made, and where this is not possible the figure as at 31 March 2020 has been used.

2. This provides an overview of the forecast outturns for revenue and capital across the General Fund, Housing Revenue Account and Common Good. These financial statements provide a comprehensive summary of where the Council expects to be at the end of the financial year. These forecasts indicate that the General Fund will overspend by £13.6m with a drawdown of monies from earmarked reserves to fund the overspend in full. The Council will continue to manage cost pressures across the whole portfolio of services, whilst all other revenue accounts are expected to be on budget. Capital investment is forecast to be lower for the year, which will be funded by a mixture of Scottish Government Capital Grants, contributions from other partners and borrowing, as well as a substantial contribution from revenue to support the Housing Capital programme.
  3. This presents the Common Good position as at 30 June 2021 and provides an overview of performance.
  4. This provides information on the Group Entities. Due to the timing of this report not all performance reports are available in relation to financial year 2021/22 and in the absence of the latest data 2020/21 information has been provided.
- 3.14 Developing the Council' financial resilience in line with the instruction given by the Committee in October 2020 has been done. This is reported in Appendix 5, with a proposal for a range of data, ratios and trends to be consolidated for the Council in the Medium-Term Financial Strategy (MTFS) when it is refreshed at the November meeting of the Committee.
- 3.15 This must be seen as a framework for financial resilience of the Council and there is further work planned in relation to the exposure to the Group entities that the Council has, and also to consider its financial resilience in comparison to others. This work will be undertaken over the coming year.

#### 4. FINANCIAL IMPLICATIONS

- 4.1 The full year financial position is provided in Appendix 2 to this report and the revenue positions are summarised below:

Revenue	2021/22 Budget £'000	2021/22 Forecast (Surplus) / Deficit exc. Group £'000	Variance (Under) / Over Budget £'000
General Fund	0	0	0
HRA	(500)	(500)	0
Common Good	(500)	(565)	(65)

- 4.2 The capital position can be summarised as follows:

<b>Capital</b>	<b>2021/22 Budget £'000</b>	<b>2021/22 Forecast Expenditure £'000</b>	<b>Variance (Under) / Over Budget £'000</b>
General Fund	248,499	186,101	(62,398)
HRA	147,884	147,884	0

- 4.3 Details of key variances for the capital budgets can be found in Appendix 2.
- 4.4 Appendix 1 includes a Management Commentary providing information on the 2020/21 financial position, including details of the movement between Reserves.
- 4.5 The usable reserves have moved as follows:

<b>Usable Reserves</b>	<b>Balance at 31 March 2021 £'000</b>	<b>Balance at 30 June 2021 £'000</b>	<b>Movement £'000</b>
General Fund	(71,603)	(142,934)	(71,331)
HRA	(14,715)	(22,577)	(7,861)
Statutory & Other	(13,082)	(13,549)	(467)
<b>Total</b>	<b>(99,400)</b>	<b>(179,060)</b>	<b>(79,659)</b>

## 5. LEGAL IMPLICATIONS

- 5.1 While there are no direct legal implications arising from the recommendations of this report, there are additional reporting requirements due to the London Stock Exchange listing, for example the requirement to notify them ahead of publication of the report.

## 6. MANAGEMENT OF RISK

<b>Category</b>	<b>Risk</b>	<b>Low (L) Medium (M) High (H)</b>	<b>Mitigation</b>
<b>Strategic Risk</b>		L	
<b>Compliance</b>	There is the risk that the accounts do not comply with legal and accounting legislation.	L	Annual external audits are undertaken to review the financial transactions and controls. Ongoing internal audits also review specific financial and service data.
<b>Operational</b>	There is the risk that there may be an IT system failure.	L	Daily backups taken and held offsite for security purposes. Constant review

			and update of security systems for IT.
<b>Financial</b>	The main financial risk the Council is managing is the increased demand on services and ongoing Covid-19 implications.	M	Reviewing all areas of expenditure with a view to only incurring essential expenditure. Regular reporting and action taken where appropriate.
	In relation to capital projects there is a risk that following the procurement process tendered costs will vary from that assumed at the time of project approval.	M	Quantification and review of indicative projects costs by suitable qualified staff or external body, where appropriate.
<b>Reputational</b>	There is a risk that through the reduction of expenditure the Council may be criticised that spending isn't in line with public expectation of service delivery.	M	The Council has continued to address priority spending areas, and to protect people. It is equally accountable for the use of public funds and to ensure that they are managed robustly. There are a wide range of unknown external factors that require to be balanced to deal with the current operating environment. Regular reporting during the year provides an ongoing description of the position the Council is in and the situations it faces.
<b>Environment / Climate</b>	None identified		

## 7. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN</u></b>	
<b>Impact of Report</b>	
<b>Aberdeen City Council Policy Statement</b>	<i>Financial planning, budget setting and resource allocation are all enablers for the delivery of the outcomes and regular performance reviews ensure that the Council's stewardship and financial management are robust.</i>
<b>Aberdeen City Local Outcome Improvement Plan</b>	
Prosperous Economy Stretch Outcomes	The proposals in this report have no impact on the LOIP

Prosperous People Stretch Outcomes	The proposals in this report have no impact on the LOIP
Prosperous Place Stretch Outcomes	The proposals in this report have no impact on the LOIP

## 8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	not required
Data Protection Impact Assessment	not required

## 9. BACKGROUND PAPERS

None.

## 10. APPENDICES

Appendix 1 – Financial Statement for the period ending 30 June 2021  
Appendix 2 – Forecast Financial Position for the year 2021/22  
Appendix 3 – Common Good Financial Statement for the period ending 30 June 2021  
Appendix 4 – Group Entities Forecast Financial Position for the year 2021/22  
Appendix 5 – Financial Resilience Framework

## 11. REPORT AUTHOR CONTACT DETAILS

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**FINANCIAL STATEMENT  
FOR THE PERIOD ENDING  
30 JUNE 2021**

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## Management Commentary

The purpose of the Management Commentary is to inform readers, helping them to assess how the Council is performing and understand our financial performance for the quarter to 30 June 2021.

Combined with Appendix 2, it also provides an insight into the expected financial performance for the remainder of the financial year 2021/22, the challenges we face and how we will address these challenges to provide stability, financially, thus allowing our citizens to have confidence that we can continue to provide the diverse portfolio of services on which they rely. Appendices 3 and 4 present the latest information in relation to the Common Good and Group entities.

## Background

The Council must comply with a wide range of legislation and regulation in the course of its work. Since 2016/17 the issue of bonds on the London Stock Exchange (LSE) has placed an increased level of regulation around council finances in particular. Maintaining a credit rating, annually assessed and compliance with the reporting and disclosure requirements of the LSE means an extra level of scrutiny is placed on the Council.

Moody's (the credit rating agency) published their latest credit rating assessment of the Council in January 2021 maintaining a rating of 'A1 with a stable outlook', in line with the recent change to the UK's rating in October 2020 remaining one notch below the UK Government. The annual reassessment is scheduled to be carried out in Quarter 3.

The Council has received an unqualified audit opinion for 2020/21 from KPMG, independent external auditor and the outturn position achieved as at 31 March 2020 was in line with forecasts, carrying forward a large value of grant funding, received to support the continued response, but predominantly for recovery from the Covid pandemic. This placed the Council in a strong place to move into 2021/22 and tackle the financial pressures that it faces.

As at 1 April 2021 the Council held Usable Reserves of £99.4 million and had a Net Asset Value of £1.4 billion.

The Council set its 2021/22 budgets on 10 March 2021, approving for the General Fund a range of budget savings options to set a balanced budget for the year. There was no Council Tax increase, the Council is receiving a grant of £4.2m in 2021/22 as compensation for agreeing to freeze Council Tax.

The General Fund budget took account of a range of pay and price inflation pressures, in particular the pay award of c.2%, which was in line with the stated Public Sector Pay Policy of the Scottish Government when the budget was set. This was an estimate as the pay deal came to an end on 31 March 2021. To date a pay deal for 2021/22 has not been reached therefore there is an increased level of uncertainty, made more challenging as the Scottish Government updated its Pay Policy statement in March with increased commitment to the wider public sector staff population. The Council budget anticipated that the level of uncertainty would prevail for 2021/22 and therefore has set aside a further £1.5m to support unexpected costs. It is anticipated that this sum will be needed to address the impact of national pay negotiations. Proposals to make use of Scottish Government approved fiscal flexibilities to manage the cost of capital financing costs are included in the budget. There were conditions attached to the Scottish Government financial settlement in relation to funding for Community Health and Social Care and to support maintaining teacher numbers across Scotland. Demand and emerging pressures from out of authority placements and fostering and kinship care were also incorporated.

Since the budget was approved there have continued to be changes to the financial environment. Restrictions have continued and easing these, to enable the opening of all facilities, for example, has taken longer than anticipated in the approved budget. The impact of Covid-19 continues to be felt by the Council, both in supporting our citizens and our city, but also in terms of the impact on Council finances. Income losses in particular have been evident throughout the first quarter and are expected to remain volatile during the remainder of the financial year.

The Scottish Government's commitment (100-day plan) following the Scottish Parliamentary elections in May underlined a number of changes that the Council will have to take account of in 2021/22. This includes the planned implementation from August 2021 of the 1,140 hours of free early learning and childcare for all three and four year olds, and two year olds that need it most; free breakfasts and lunches for all primary four children from August, before further changes in 2022; and music education tuition charges being removed from August too.

The Housing Revenue Account budget was approved with no increase in rents for 2021/22 and 2022/23, which was a deviation from the approved Council fixed term rent policy.

## **Our Financial Performance: General Fund**

### **• Performance in Quarter 1**

In March 2021, the Council set its General Fund and Housing Revenue Account (HRA) revenue and capital budgets for the financial year 2021/22. Performance for the year is measured against these budgets with the projected full year position considered in Appendix 2 of this report. This section focuses on the actual financial results for the period from 1 April to 30 June 2021 presented in the format of our Annual Accounts on pages 7 to 14.

The Expenditure and Funding Analysis, below, provides details of the net expenditure or income position for each service based on actual transactions for the period and the statutory accounting adjustments processed to date.

#### 1. Operations

At 25% against the full year budget, the services net expenditure for the year to date is on budget there are a number of significant over and under spends such as Out of Authority Placements spend being offset in part by lower spend on Fostering.

#### 2. Customer

At 24% against the full year budget, the function's net expenditure for the year to date is under budget. All services are showing small underspends at this stage of the year.

#### 3. Commissioning

At 17% against the full year budget, the function's net expenditure for the year is below budget. This relates to the carry forward of a number of Covid-19 City Growth government grants the main one being Young Persons Guarantee these will be fully utilised during 2021/22.

#### 4. Resources

The function has a budget where a significant proportion of costs are recharged to other accounts of the Council and to external customers. The recharges are directly related to the progress of specific projects in the capital programme and in the normal course of the year recharging tends to be done later in the year.

## 5. Integration Joint Board (IJB) / Adult Social Care.

The function's net expenditure is 23% against the full year budget. This relates to the carry forward of Covid -19 grant income which will be fully utilised in 2021-22.

## 6. Corporate

Includes the cost of councillors, contingencies, funding to Grampian Valuation Joint Board and the repayment of capital debt. Expenditure is generally in line with budget where expenditure is being incurred, but contingency budgets, including for pay as described above, are held for the purpose of being used if needed.

## 7. Other Income and Expenditure

Includes interest payable and receivable, income and expenditure from trading operations (car parking, investment property and building services) and income received through council tax, non-domestic rates and government grants.

Income from Non-Domestic Rates (NDR) is lower than expected at 16% of full year budget. There continues to be challenges in collection as businesses continue to be impacted by fallout from COVID-19. This position may improve as we progress through the year. The Scottish Government is expected to top up any shortfall at the end of the financial year, through a net payment received by way of an adjustment to the Council's General Revenue Grant.

As at quarter 1 income from Council Tax forecast to be £5m under budget for the full year, collection levels are currently very low, although 2% above the level experienced last year. The Council will submit returns to the Scottish Government at the end of quarter 1 and the financial year. The values in these returns will inform them and assist with their decision on a possible redetermination for Council Tax Reduction, which is indicative of the increased numbers of applications and awards being made.

Income from Scottish Government is above budget, which is due to the profiling of Grant and NDR across the year. The Scottish Government front loaded General Revenue Grant payments and NDR billing was undertaken earlier than 2020/21, in line with previous years. Further adjustments will be made following the submission of the mid-year NDR estimates and redetermination adjustments to the General Revenue Grant will be made in the final two weeks of March 2022.

The Council receives a substantial income from the commercial tenanted non-residential property (TNRP) portfolio. The income to the TNRP portfolio is invoiced regularly but it is not in even quarters as timing depends on each individual leases. The level of collection for 2021/22 is currently under review.

Income from car parking has not returned to pre COVID -19 levels, improvements are not being seen over the summer months this is be reviewed on an ongoing basis.

As at quarter 1 the under achievement of income from Building Services is forecast to be £2m under budget for the full year this is resulting from the reduced level of work following from the impact of Covid-19 on workload and from the supply chain delays.

## **Our Financial Performance: Housing Revenue Account**

### **• Performance in Quarter 1**

8. Housing Revenue Account (HRA) is responsible for the provision of council housing to over 20,000 households with the most significant areas of expenditure being on repairs and maintenance and the servicing of debt incurred to fund capital investment in the housing stock. This is a ring-fenced account such that its costs must be met by rental income which at this stage in the year exceeds expenditure incurred. Rental income remains a regular source of funding. The HRA is ahead of budget at Quarter 1 because the capital financing charges have yet to be charged through the account and low spend on Repairs and Maintenance. Voids continue to be a pressure in the first quarter, principally due to the competitive private rental market and current tenant arrears have been increasing the first two months of 2021/22 but are now back to the level of the end of 2020/21 however remains a risk.

### **Our Financial Performance: Full Year Forecasts**

A comprehensive forecast of revenue and capital budget performance for the General Fund, Housing Revenue Account and the Common Good is provided in Appendix 2 to this report.

### **Conclusion**

This is the first quarterly financial performance report being presented to the City Growth & Resources committee for consideration of the financial year 2021/22.

Following a year of lockdown restrictions caused by the Covid-19 pandemic, which led to increased pressures over many areas of the Council's finances, and meant the Council had to rebalance its budget in 2020/21, the year ended positively with the Council recording a small surplus, and carrying substantial grant funding, directly related to the Covid-19 pandemic, into the new financial year.

The Council agreed in its budget for 2021/22 to use some of that grant funding, £6.5m, to support the service standards and commissioning intentions in place.

The impact of the pandemic has been unprecedented in nature and the changing environment as restrictions ease in 2021/22 means that this year too will be uncertain, with response and recovery all part of the work of the Council.

It is now clear from the Quarter 1 information that the impact has continued to affect our finances, with reduced income in areas such as car parking, Council Tax, planning and building fees, commercial income. This is supported by positive cashflow in terms of monies held by the Council and also front-loaded in relation to grant payments for this year.

Spend levels are high in certain areas of the budget, that will be familiar in respect of children and education services, and there has been an increased recruitment and retention of teachers in schools.

It is clear that as restrictions and guidance change the Council is experiencing emerging demands to deliver support in the areas such as additional grants schemes and for track and trace response that are placing additional pressure on the staff and financial resources that the Council has.

During the remainder of the year the Council will continue to review and assess the changes that the local financial environment and pandemic has brought about and will re-evaluate the position to ensure that expenditure and income is being monitored and managed as required, taking appropriate action when required. The next reporting period will be Quarter 2, which will be prepared for Committee on 2 November 2021.

## Movement in Reserves Statement

*This statement shows the movement on the different reserves held by the Council analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves.*

	General Fund	Housing Revenue Account	Statutory and Other Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000		£'000	£'000	£'000
<b>Balance at 31 March 2021 brought forward</b>	<b>(71,603)</b>	<b>(14,715)</b>	<b>(11,900)</b>	<b>(1,182)</b>	<b>(99,401)</b>	<b>(1,313,766)</b>	<b>(1,413,167)</b>
<b>Movement in Reserves during 2021/22</b>							
Total Comprehensive Income & Expenditure	(85,198)	(13,452)	0	0	<b>(98,650)</b>	0	<b>(98,650)</b>
Adjustments between accounting basis & funding basis under regulations	13,400	5,591	0	0	<b>18,991</b>	(18,991)	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Reserves</b>	<b>(71,798)</b>	<b>(7,861)</b>	<b>0</b>	<b>0</b>	<b>(79,659)</b>	<b>(18,991)</b>	<b>(98,650)</b>
Transfers to/from Reserves	467	0	(467)	0	<b>0</b>	(0)	<b>(0)</b>
<b>(Increase)/Decrease in Year</b>	<b>(71,331)</b>	<b>(7,861)</b>	<b>(467)</b>	<b>0</b>	<b>(79,659)</b>	<b>(18,991)</b>	<b>(98,650)</b>
<b>Balance at 30 June 2021</b>	<b>(142,934)</b>	<b>(22,577)</b>	<b>(12,367)</b>	<b>(1,182)</b>	<b>(179,060)</b>	<b>(1,332,757)</b>	<b>(1,511,817)</b>

## Expenditure and Funding Analysis

*The Expenditure and Funding Analysis shows how the net expenditure or income is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.*

Services	Net Expenditure chargeable to General Fund & Housing Revenue Account £'000	Adjustments between funding & Accounting basis £'000	Net Expenditure in the CIES £'000	Notes
	£'000	£'000	£'000	
Operations	68,489	(13,327)	55,162	1
Customer	8,673	0	8,673	2
Commissioning	3,929	0	3,929	3
Resources	(13,945)	0	(13,945)	4
Integration Joint Board	21,656	0	21,656	5
Corporate	(26,393)	0	(26,393)	6
<b>Net Cost of General Fund Services</b>	<b>62,409</b>	<b>(13,327)</b>	<b>49,083</b>	
Housing Revenue Account	(7,861)	(5,584)	(13,445)	7
<b>Net Cost of Services</b>	<b>54,548</b>	<b>(18,910)</b>	<b>35,638</b>	
Other Income and Expenditure	(134,207)	(81)	(134,288)	8
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(79,659)</b>	<b>(18,991)</b>	<b>(98,650)</b>	
Opening General Fund and HRA Balance at 31 March 2021	(86,318)			
(Surplus) or Deficit on General Fund and HRA Balance in Year	(79,659)			
To/From Other Statutory Reserves	467			
<b>Closing General Fund and HRA Balance at 30 June 2021</b>	<b>(165,511)</b>			

## Notes

- See page 3 for information relating to Net Expenditure chargeable to the General Fund. The £13.327 m accounting adjustment relates to the removal of Annual Service Payments for the 3R's schools and Lochside Academy which for accounting purposes are required to be split into its component parts, payment for services; repayment of capital; and financing costs.
- See page 3 for information relating to Net Expenditure chargeable to the General Fund. There are no accounting adjustments relating to this service in this quarter.
- See page 3 for information relating to Net Expenditure chargeable to the General Fund. There are no accounting adjustments relating to this service in this quarter.
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- See page 3 for information relating to Net Expenditure chargeable to the General Fund. There are no accounting adjustments relating to this service in this quarter.
- See page 3 for information relating to Net Expenditure chargeable to the Housing Revenue Account. The £5.584m accounting adjustment relates to CFCR.

8. See page 4 for information relating to Net Expenditure chargeable to the General Fund. The £0.081m adjustment comprises the following three elements, which realign costs from other parts of the budget:

- £8.689m is the element of the 3R's and Lochside Annual Service Payments which is reallocated as per note 1 above to bring together financing costs which flow into the Financing and Investment Income and Expenditure line in the CIES below.
- (£0.461)m that is the allocation of the Marischal Square finance lease payment.
- (£8.309)m that is the allocation of capital grant income which flows into the Taxation and Non Specific Grant Income line in the CIES below

## Comprehensive Income and Expenditure Statement

*This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS).*

Services	Quarter 1, 2021/22			Notes
	Gross Expenditure	Gross Income	Net Expenditure	
	£'000	£'000	£'000	
Operations	69,786	(14,624)	55,162	
Customer	23,256	(14,583)	8,673	
Commissioning	8,028	(4,098)	3,929	
Resources	17,579	(31,525)	(13,945)	
Integration Joint Board	39,138	(17,482)	21,656	
Corporate	(26,000)	(393)	(26,393)	
<b>Cost of General Fund Services</b>	<b>131,788</b>	<b>(82,706)</b>	<b>49,083</b>	
Housing Revenue Account	12,208	(25,653)	(13,445)	
<b>Cost of Services</b>	<b>143,997</b>	<b>(108,359)</b>	<b>35,638</b>	
Other Operating Expenditure	0	0	0	1
Financing and Investment Income and Expenditure	47,653	(12,429)	35,224	2
Taxation and Non Specific Grant Income	0	(169,511)	(169,511)	3
<b>(Surplus) or Deficit on Provision of Services</b>	<b>191,649</b>	<b>(290,299)</b>	<b>(98,650)</b>	
(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			0	4
Impairment losses on non current assets charged to the Revaluation Reserve			0	4
(Surplus)/deficit on revaluation of available for sale financial assets			0	4
Actuarial (gains)/losses on pension losses/liabilities			0	4
Other (gains)/losses			0	4
<b>Other Comprehensive Income and Expenditure</b>			<b>0</b>	
<b>Total Comprehensive Income and Expenditure</b>			<b>(98,650)</b>	

### Notes

1. This line will be used to reflect gains or losses on the disposal of assets which take place during the year.
2. This largely reflects trading income and interest payable and receivable.
3. Income in relation to Council Tax, Non-Domestic Rates collection and Scottish Government General Revenue and Capital Grant.
4. These lines are predominantly used for statutory accounting adjustments.



## Balance Sheet

*The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council.*

31 March 2021 £'000		30 June 2021 £'000	Note
2,386,544	Property, Plant & Equipment	2,431,809	1
198,068	Heritage Assets	198,068	1
191,968	Investment Property	191,968	1
16,343	Long Term Investments	16,343	2
742	Long Term Debtors	715	3
<b>2,793,665</b>	<b>Long Term Assets</b>	<b>2,838,903</b>	
119,699	Cash and Cash Equivalents	46,579	4
40,276	Short Term Investments	67,299	5
139,388	Short Term Debtors	110,002	6
2,071	Inventories	2,260	7
13,700	Assets Held for Sale	13,700	8
<b>315,135</b>	<b>Current Assets</b>	<b>239,841</b>	
(232,391)	Short Term Borrowing	(187,968)	9
(117,073)	Short Term Creditors	(46,532)	10
(549)	Short Term Provisions	(489)	11
(4,638)	PPP Short Term Liabilities	(4,527)	12
(7,423)	Accumulated Absences Account	(7,423)	13
(2,909)	Grants Receipts in Advance - Revenue	(908)	14
(21,047)	Grants Receipts in Advance - Capital	(19,202)	14
<b>(386,030)</b>	<b>Current Liabilities</b>	<b>(267,049)</b>	
(1,003,257)	Long Term Borrowing	(998,556)	15
(57,141)	Finance Lease	(56,643)	16
0	Long Term Creditors	0	17
(551)	Long Term Provisions	(551)	11
(130,565)	PPP Long Term Liabilities	(126,038)	12
(118,090)	Pension Liabilities	(118,090)	18
<b>(1,309,604)</b>	<b>Long Term Liabilities</b>	<b>(1,299,878)</b>	
<b>1,413,167</b>	<b>Net Assets</b>	<b>1,511,817</b>	
	Usable Reserves:		
(71,603)	General Fund Balance	(142,934)	19
(14,715)	Housing Revenue Account	(22,577)	19
(11,900)	Statutory and Other Reserves	(12,367)	19
(1,182)	Capital Grants and Receipts Unapplied	(1,182)	
(1,313,766)	Unusable Reserves	(1,332,757)	20
<b>(1,413,167)</b>	<b>Total Reserves</b>	<b>(1,511,817)</b>	

## Balance Sheet Notes

1. Depreciation is calculated annually and therefore no depreciation has been applied in Quarter 1. Capital expenditure to the end of Quarter 1 totalling £45.265m has been applied to Property, Plant & Equipment (this includes £30.357m of general fund expenditure and £14.908m of HRA expenditure). Disposals, revaluations and transfers have not been accounted for in Quarter 1.
2. Long Term Investments comprises the council's interest in Aberdeen Sports Village.
3. Long term debtors reflects the movement based on transactions for the period.
4. Cash and cash equivalents include short term investments of £43.601m (because they can be called up at short notice i.e. 0 to 35 days) and developer's contributions of £25.890m. See the cash flow statement for an analysis of how this is used.
5. Short term investments have been adjusted as described in Note 4.
6. Short term debtors reflects the movement based on transactions for the period.
7. Inventories are adjusted at year end for inter-related account balances.
8. Assets held for sale reflect the position at March 2021. This will be reviewed in Q4
9. Short term borrowing reflects the current position based on transactions for the period.
10. Short term creditors reflects the current position based on transactions for the period.
11. Short term provisions reflects the current position with an adjustment to split this total into long and short term provisions based on year-end figures. This split will be updated in future quarters.
12. PPP short and long-term liabilities has been adjusted to reflect the projected position at March 2022.
13. The accumulated absences account is reviewed annually and will therefore be updated in Quarter 1.
14. The grants received in advance totals reflect the position at the end of Quarter 1.
15. Long term borrowing reflects the current position based on transactions for the period.
16. Finance Lease reflects the closing position as at March 2022.
17. Long term creditors reflect the current position based on transactions for the period.
18. Pension liabilities are only reviewed annually and will therefore be updated in Quarter 1.
19. Usable Reserves reflects the current position based on transactions for the period. Usable Reserves includes uncommitted reserves and earmarked reserves, and due to the positive cashflow have increased to a level that is higher than forecast for the end of

the year, the cashflow being used to fund expenditure that will be incurred in the second half of the year.

20. Unusable reserves have been adjusted for statutory accounting adjustments as detailed above.

## Cash Flow

*The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.*

	<b>Quarter 1 2021/22</b>
	<b>£'000</b>
Net Surplus or (Deficit) on the provision of services	98,650
Adjust net surplus or deficit on the provision of services for non cash movements	(99,767)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(8,309)
Net cash flows from Operating Activities	(9,426)
Net cash flows from Investing Activities	(9,933)
Net cash flows from Financing Activities	(53,761)
Net increase or decrease in cash and cash equivalents	(73,120)
Cash and cash equivalents at the beginning of the reporting period	119,699
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>46,579</b>
Cash held by the Authority	33
Bank current accounts	46,546
	<b>46,579</b>

## **Contingent Liabilities**

In addition to amounts recognised on the Balance Sheet, the Council is aware of the following contingent liabilities at 30 June 2021:

### **Guarantees**

#### **Aberdeen Science Centre (formerly Satrosphere)**

The Council has agreed to provide a guarantee to the Bank of Scotland for the sum of £127,654 in support of an overdraft facility and card guarantee facility until 30 September 2022, as approved at a meeting of full Council on 10 March 2021.

#### **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of a maximum overdraft facility of £250,000, as approved at Council on 10 March 2021. This guarantee will remain in force until 30 September 2022.

#### **Sport Aberdeen**

The Council agreed to provide a bank guarantee to Sport Aberdeen up to a maximum of £5 million as approved at the 7 June 2016 Finance, Policy and Resources Committee. There is currently a Revolving Credit Facility for £1.4 million in place.

#### **Aberdeen Performing Arts**

The Council has agreed to provide a guarantee to Aberdeen Performing Arts up to a maximum of £356,000 until 31 March 2022, as approved at Council on 10 March 2021.

### **External Organisations - Guarantor in relation to North East Scotland Pension Fund (NESPF)**

As the administering authority, the Council may admit a body to the Pension Fund as an 'admitted body' provided (i) the organisation can confirm they have sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest; and (ii) the Scheme employer is prepared to act as guarantor in the event the admitted body should cease to exist. If this situation was to occur and staff made redundant the staff over 50 years old would become entitled to immediate payment of their pension benefits. The Council has agreed a number of such guarantees to organisations that include Aberdeen Sports Village, Sport Aberdeen, Aberdeen Performing Arts, Aberdeen International Youth Festival, Aberdeen Heat and Power, Bon Accord Support Services and Bon Accord Care Ltd. The potential values guaranteed are subject to a range of actuarial assumptions.

#### **SEEMIS Group LLP**

The Council has agreed to fund any additional pension liability payments arising from its membership of the SEEMIS organisation (the provider of our schools' Management Information System). To date there has been no call on the guarantee.

#### **Integration Joint Board (IJB)**

The IJB is responsible for the strategic planning of the functions delegated to it by Aberdeen City Council and NHS Grampian. The Aberdeen City IJB Integration

Scheme provides the framework in which the IJB operates including information on funding and what should happen if the IJB is projecting to overspend its budget at the year-end. Whilst steps will be taken to address this (through a Recovery Plan), ultimately the parties to the arrangement may be potentially liable should the IJB overspend.

## **Contractual**

### **Waste Disposal**

The Council has a long-term contract with an external contractor for the disposal of all relevant waste arising in the City and the operation and maintenance of waste transfer stations, recycling facilities and landfill sites. The contract commenced in September 2000 and is due to run for 25 years.

The Council is lead partner in a three-authority project with Aberdeenshire and Moray Councils to procure an energy from waste facility which will deal with all residual waste from the three authorities. The contract commenced on 8 August 2019 with the facility expected to come online in summer 2022 and will run for 20 years.

### **Section 75 agreements**

Section 75 agreements (developer obligations) are frequently sought by the Council in relation to the award of planning permission. The possibility of liabilities arises in cases where the developer is not adhering with the agreed payment schedule and the Council elects to proceed with a project where that developer obligation funding is due. In these cases, unless a resolution can be found with the developer the Council may be exposed to additional costs due to higher levels of borrowing than originally anticipated. Costs could apply to the short, medium or long-term depending on the circumstances.

### **Impact of Covid on Working Practices, Social Distancing and the Capital Programmes**

The emergence of Covid has resulted in new working practice guidelines being issued by the Scottish Government, to set new standards to allow consultants, contractors, sub-contractors and their suppliers to work safely during the pandemic. These unforeseen changes resulted in the construction industry incurring additional costs for compliance with the risk of delays to projects. These measures may also restrict numbers of staff on site which may slow down progress on works. These impacts have manifested in projects which were on site at the time of the initial lockdown, and discussions between the Council and the relevant contractors are ongoing to determine liability for additional costs. The Council has also been made aware of concerns from across the Construction Industry regarding shortages of products and raw materials across the UK which may also impact on future costs. Ordering lead times are extending across the sector with the risk of increased delay impacts to projects.

### **Our Generation – Solar Panels**

A contractual dispute exists in relation to this contract which may give rise to a future financial liability. On 23 July 2019 the Council successfully defended an appeal by

Our Generation to the Court of Session on the findings of the original judgement. The matter remains outstanding and is subject to further legal proceedings.

### **Aberdeen Art Gallery**

A contractual dispute exists in relation to who bears the cost of the delays in respect of the refurbishment of the Art Gallery. A Court of Session action was raised against the Council by McLaughlin & Harvey "MCLH", the main contractor, following adjudication in favour of the Council.

Following consideration of the outcome of the second adjudication, the Council raised a new Court of Session action in May 2020. MCLH lodged defences, and made a counterclaim against the Council, which the Council has defended. MCLH subsequently dropped their earlier action raised against the Council. The court action will reconsider the previous adjudication decisions. This may give rise to a future financial liability.

### **Scottish Child Abuse Enquiry**

The Scottish Parliament introduced a redress Bill on 13 August 2020 for survivors of abuse in care in Scotland. Survivors as an alternative to civil litigation may choose to apply for redress. Financial contributions may be requested from Local Authorities to support the redress scheme. Ongoing discussions will take place to assess any proposed level of contribution from the Council and the mechanism by which this is met.

The Council will continue to receive civil claims relating to periods of time in care. These have the potential for significant costs to be incurred and alongside the contribution to the scheme will give rise to future financial liability, although unquantifiable at this time.

### **COVID-19 Impact**

Statute and government guidance restricting the movement of people and effectively locking down the country is now easing. Whilst the Council has prepared its 2021/22 budget to include known Covid-19 related implications, there remains the possibility that further costs may arise that were not previously identified as the country moves out of lockdown.

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**PROJECTED FINANCIAL POSITION  
FOR THE YEAR 2021/22**

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## MANAGEMENT COMMENTARY

This is the first reporting point in the year for the Council's finances, following approval of the budgets in March 2021. The full year budgets reflected in the table below differ from those set by Council in March 2021 for a number of reasons. This is normal practice during the year as variances are identified and budget responsibilities change. In common with recent years there are pressures on the organisation that emerge during the year and to which the Council has to respond with the impact of COVID -19 still be experienced in areas such as income and Education recovery. The financial position is kept under regular review in relation to progress and forecasting and the conclusions included in Appendix 1 describe the overarching controls that the Council has in place to manage the financial position. There is an underlying commitment from Senior Management to pursue options to mitigate cost pressures and to work with the Chief Officer – Finance to ensure the overall agreed budget is adhered to.

Appendix 1 provides the Income and Expenditure Statement and Balance Sheet of the Council as at 30 June 2021. The forecast for the year is built on the information that was available at this time.

With all of this said, it is clear that 2021/22 is going to be an uncertain year, with major variances in our income and expenditure levels, the Council has sums set aside to address Covid-19 implications and therefore will require to draw on these during the year.

For this reason, the full year forecast for the General Fund at the end of quarter 1 is for a deficit of £13.6m, this being matched by £13.6m of earmarked reserves to result in a balanced budget for 2021/22.

The Housing Revenue Account is on target to meet its budget overall; and the Common Good is expected to achieve a small surplus.

The forecasts for the year are built on information that was known as at 30 June 2021. It has been anticipated that the council's income will remain at levels experienced in May/June however as there is further relaxing of restrictions in Scotland this may improve, further analysis will be required to identify the ongoing effect and to understand if a new normal has been established for medium term planning purposes.

Income received from the Scottish Government for the impact of COVID 19 supports the shortfall in income, and it is estimated that the education recovery funds will be fully utilised in 2021/22.

### General Fund

With reference to the table below, key areas of the budget that the Council is managing are as follows:

1. The main areas of pressure within Operations are:
  - Higher than budgeted spend on Out of Authority Placements this is partly offset by lower spend on the Fostering service. Spend on Out of Authority Placements is lower compared to that in 2020/21 which indicates the service is beginning to return to normal following the COVID-19 restrictions.
  - Reduction in income has continued into 2021/22 for example, Car Parking has not returned to pre pandemic levels, currently estimated on May figures.
  - Building Services will not achieve the budgeted surplus due to the continued social distancing while working within the properties and delays in the supply chain for materials which is partly due to COVID restrictions.

- Within Education there is increased spend on long term absences, under recovery of income from school lets due to COVID restrictions and contributions from other local authorities for special education.
  - Continuing to monitor the teacher recruitment early indications show this a success for the new academic year this will become clearer in August therefore in the second quarter.
2. The main areas of pressure within Customer are:
- There is a risk that the level of rental income from Homeless Flats may be lower than budget due to the levels of in year activity to the end of the quarter.
  - Customer is currently in an under spend position from Sistema (Big Noise Torry) as they cannot undertake their planned programme. and from the staffing within the City Wardens.
3. The main areas of pressure within Commissioning are:
- Governance is expecting an under recovery of licencing income.
  - Income from catering services provided by museums and galleries and the beach ballroom have been revised at Quarter 1 to reflect reduced trading resulting from the COVID-19 restrictions this will be closely monitored and amended to reflect any changes.
  - Under recovery of Planning Application Fees due to the impact of COVID-19, continue to see a reduction in income.
4. The main areas of pressure within Resources are:
- Commercial property trading account income has been revised to reflect current conditions this will continue to be monitored closely and the Council may be affected by bad debt provisions at the year end. This is addressed in the corporate budgets below.
5. The main areas of pressure within Integrated Joint Board (IJB)/Adult Social Care are:
- The recovery of the services from the impact of COVID-19 in areas such as extra care home beds.
  - There is a risk that there will be higher than anticipated spend on commissioned services in areas such as homecare providers as more people are choosing to stay in their own properties.

The Integrated Joint Board will receive a report on 24<sup>th</sup> August 2021 for Quarter 1, the Council continues to depend on the strength of the IJB balance sheet and the continued Scottish Government funding commitment.

6. Across the whole of the Council the planned reduction in the number of posts that are affordable is being managed through voluntary and natural processes, i.e. no compulsory redundancy. This means that there is expected to be continued reduction in the total workforce during the year. The corporate saving for a reduced workforce is captured in the "Corporate Budgets". The full value of the staff savings is forecast to be under budget mainly due to the successful recruitment and retention of teaching staff at this time. The council continue to use additional funding that has also been allocated to enable increased teacher and teaching support to be delivered during school year 2021/22.

Contingencies also holds the in-year revenue contingency for the General Fund and the forecast includes the use of that contingency later in the year. The actual position will depend on future events arising from the risk registers and, where identified, contingent

liabilities becoming more certain (see Appendix 1). It means the Council is resilient to changes that might happen in the future that have not been able to be quantified financially. An example of a reason for holding a contingency is winter maintenance, flooding and prolonged adverse winter weather that can increase costs particularly in the second half of the year, which is being experienced as referred to above.

7. The bad debt provision has been updated to take account of latest data, which shows a significant value of general invoices that remain unpaid. This budget sits within Council Expenses and is under regular review. The council reinstated income recovery processes in 2021 following deferral of action due to the pandemic.
8. The Joint Boards budget and forecast outturn is based on the amount requisitioned by Grampian Valuation Joint Board and is on budget.
9. Miscellaneous Services includes capital financing costs, the cost of repaying the borrowing received in the past for General Fund Capital Programme investment. Capital Financing Costs is the most significant budget within Miscellaneous Services, and includes the impact of accounting for loans fund repayments on a prudent basis, approved by the Audit Risk and Scrutiny Committee in April 2019. This is forecast to be in line with budget.
10. The Non-Domestic Rates figure is set by the Scottish Government as part of its overall funding support package rather than the amount billed and receivable by the Council. Due to COVID-19 the Scottish Government has made extra reliefs available to the Retail, Hospitality and Leisure sectors to non-domestic properties from 1 April 2021 to 31 March 2022. The forecast for amount receivable by the Council is in line with Government distribution information.
11. The General Revenue Grant is set by the Scottish Government as part of its funding support package. This may change during the year as the government announces funding redeterminations. Changes that have been announced, but not yet taken account of due to the timing of allocation information, include services such as free school meals, music tuition, core curriculum subject and extra teachers to support policies to be delivered in the first 100-day plan of the new Scottish Government.  
  
It remains possible, and imperative, that further funding for Covid-19 support should be expected, particularly in relation to the consequential from the Income Loss Scheme that has been in place in England for the last year and was extended to the end of June 2021. No information has yet been made available on this, so the prudent approach of not including any forecast for this potential income stream has been taken.
12. Council Tax income is being collected at an improved rate to 2020/21 but it has not yet achieved the historic levels the Council has benefited from. With over 96% of council tax payers paying their obligations it is forecast that there will be a £5m shortfall against budget for the year, this is based on the reduced collection levels of 2020/21 and provision for bad debt. Additional work is being undertaken to improve collection levels.
13. Use of Reserves. The Council approved in its 2021/22 budget that a sum of £6.5m will be used from earmarked General Fund reserves to fund the budget. The Council expects to draw down all of that approved sum. This will result in a forecast deficit of £13.6m for the year. Further drawdown from the earmarked reserves will be made to balance the budget for 2021/22 and this will be subject to change throughout the remainder of the year.

## Housing Revenue Account

14. The overall HRA budget is balanced however there are a number of areas of pressure. These are the potential increase in bad debt and housing voids. The higher costs in these areas would be offset by a reduced contribution to Capital from Current Revenue (CFRC).

## Earmarked Reserves

The Council holds over £62.626m of earmarked reserves across the General Fund and HRA and expenditure is estimated to be incurred over a period of years.

Expenditure in relation to the delivery of other specific projects, funded by the earmarked reserves is not included in the figures in the tables above. The Council expects to incur significant expenditure from the Transformation Fund in 2021/22 progressing the digital programme of transformation. As at 30 June 2021 £0.101m has been spent on staff and partner contracts and commitments show that expenditure during the year will increase spend towards the full use of remaining funds (£2.479m)

The other significant earmarked reserves to draw attention to at this time is the Second & Long-term Empty Properties reserve (£14.660m), which is set aside for affordable housing. It is estimated that the income to this reserve, received annually from Council Tax, may be lower than previous years due to the impact of the pandemic. Expenditure in 2021/22 will depend on the progress with the Summerhill and Wellheads developments and the amount of Section 75 income (developers' contributions) to be used as this funding is time limited, these schemes support the delivery of additional social housing by the Council.

As referenced earlier in the report, the earmarked COVID -19 Grants (£33.633m) are for areas such as Education recovery, Income shortfall and General COVID funding. It is anticipated at this stage this funding will be fully utilised to employ additional teachers, support staff within Education, support income shortfalls in such areas such car parking, commercial properties and council tax, essentially using the sums available to balance the budget – and this is subject to the ongoing review and further refinement of spending and income forecasts in line with Council financial management arrangements.

## Balancing the Budget through Controls and Monitoring Structures

Specific actions that will continue, to manage spending and work towards reducing the operating deficit include:

- Ongoing review and analysis of the Covid-19 impact on council budgets, income in particular costs associated with protecting customers and staff.
- Detailed and effective management of turnover of staff and vacancies and an underlying assumption that the overall cost of staff will continue to reduce during the remainder of the year. The Chief Officers for People & Organisation and Finance following consultation with the Convener of City Growth and Resources Committee, are currently approving any externally advertised vacancies.
- Ongoing review and scrutiny of the out of authority placements for children by the Chief Officer – Integrated Children's Services.
- Specific work in relation to the Service Income policy to ensure full cost recovery is achieved from a range of services that the Council delivers, such as support services, housing services, accommodation and building services.
- Monitoring and management of council long-term debt in light of the agreed policy and capital spend forecasts for 2021/22.
- The voluntary severance / early retirement scheme remains open, and applications are considered as they are received. Funding for this is provided by capital receipts.

In order to ensure tight controls are in place over expenditure, management have created the following control boards, through which requests to spend must be cleared:

The Demand Management Control Board captures the commissioning and procurement intentions for revenue expenditure as they arise and provides an environment for demand-based challenge – this is co-chaired by the Chief Officers for Early Intervention & Community Empowerment and Data & Insight.

Similarly, the Capital Board oversees the progress and emerging aspects of capital planning and delivery, but also connects to the asset elements of the revenue budget and capital financing requirements.

The Performance Board has oversight of the financial performance reporting, this is co-chaired by the Directors of Resources and Chief Operating Officer and brings together the emerging and escalated issues from overall financial performance and agrees actions.

### **Balancing the Budget through the monitoring and control of risks.**

Risks are reviewed on a regular basis at a strategic level by the Risk Board on a monthly basis and at an operational level by Chief officers and their teams daily. The main risk to the Council remains the recovery from the impacts of COVID-19 and the planned easing of restrictions that are continuing to apply, subject to timings, levels differing across the country.

It is predicted that the increased cost of supplies and services in the trades maybe a significant risk in areas such as Building Services and Roads.

Contingent Liabilities are noted to try and capture potential liabilities which could result in costs being incurred in the future. As part of the budget process, contingent liabilities are reviewed and described within the budget pack presented to Council. The Corporate Management Team continues to monitor the status of these. A review of the contingent liabilities, listed in Appendix 1, has not established any significant shift in certainty or in the Council's ability to quantify the financial exposure. On that basis there is no adjustment included in the forecasts for the year, they will continue to be reviewed quarterly and any change reported as appropriate.

### **Conclusion**

Based on the information available, and set out in this report, the forecast for the overall position of the General Fund is an operational £13.6m deficit will have to be supported by funding carried forward and earmarked as part of the Councils General Fund Reserve, to achieve a balanced budget for the year. The Housing Revenue Account is a balanced position, and this is captured in the tables set out below.

## General Fund Financial Reporting Summary 2021/2022 - Quarter 1

As at 30 June 2021	Budget 2021/2022	Outturn 2021/2022 Quarter 1	Variance from Budget		Notes
	£'000	£'000	£'000	%	
Operations	265,247	270,803	5,557	2.1	1
Customer	37,720	37,326	(394)	(1.0)	2
Commissioning	23,331	24,124	793	3.4	3
Resources	2,339	5,306	2,967	126.9	4
Integrated Joint Board	95,184	95,184	0	0.0	5
<b>Total Functions Budget</b>	<b>423,821</b>	<b>432,743</b>	<b>8,922</b>	<b>2.1</b>	
Joint Boards	1,845	1,845	0	0.0	6
Miscellaneous Services	51,041	51,074	34	0.1	7
Contingencies	(1,828)	(1,788)	41	(2.2)	8
Council Expenses	4,913	4,518	(395)	(8.0)	9
<b>Total Corporate Budgets</b>	<b>55,971</b>	<b>55,650</b>	<b>(321)</b>	<b>(0.6)</b>	
Non Domestic Rates	(202,923)	(202,923)	0	0.0	10
General Revenue Grant	(141,470)	(141,470)	0	0.0	11
<b>Government Support</b>	<b>(344,393)</b>	<b>(344,393)</b>	<b>0</b>	<b>0.0</b>	
Council Tax	(128,899)	(123,899)	5,000	(3.9)	12
<b>Local Taxation</b>	<b>(128,899)</b>	<b>(123,899)</b>	<b>5,000</b>	<b>(3.9)</b>	
Contribution from Reserves	(6,500)	(6,500)	0	0.0	13
<b>Contribution from Reserves</b>	<b>(6,500)</b>	<b>(6,500)</b>	<b>0</b>	<b>0.0</b>	
<b>Deficit/(Surplus)</b>	<b>(0)</b>	<b>13,601</b>	<b>13,601</b>	<b>0.0</b>	

## Housing Revenue Account Summary 2021/2022 - Quarter 1

<b>Deficit/(Surplus)</b>	<b>(500)</b>	<b>(500)</b>	<b>(0)</b>	<b>0</b>	<b>14</b>
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Note – the deficit of £13.6m will be covered by a further contribution from earmarked reserves as described in Note 13 above



## General Fund Capital Programme

As instructed by the report RES/21/111 – Council Financial Performance – Quarter 4 2020/21, this update incorporates the outcomes of the completed financial year into the refreshed programme for 2021/22 to 2024/25.

The Capital Programme also now includes additional projects following confirmation of external funding awards:

- £1.409 million from the Regeneration Capital Grant Fund for the redevelopment of Victoria Road School by Torry Development Trust across 2021/22 and 2022/23;
- £0.975 million from the Place Based Investment Fund for 2021/22;
- £12.030 million for the Bus Partnership Fund across 2021/22 and 2022/23;
- £0.345 million to continue preparations in 2021/22 for the Low Emissions Zone;
- Officers have also submitted a bid to the Levelling Up Fund and are awaiting a formal decision, which is not expected until the Autumn.

As at Period 3 2021/22	2021/22					
	Original Approved Budget	Adjustments & Carry Forwards	Revised Budget	Expenditure to Date	Forecast Outturn	Outturn Variance from Revised Budget
	£'000	£'000	£'000	£'000	£'000	£'000
AECC Programme Board	8,176	1,430	9,606	1,760	2,000	(7,606)
Asset Management Programme Board	55,624	7,808	63,432	6,914	55,528	(7,904)
Asset Management Programme Board Rolling Programmes	31,296	2,070	33,366	3,843	23,245	(10,121)
City Centre Programme Board	38,818	(25)	38,793	8,897	33,489	(5,304)
Energy Programme Board	46,697	15,888	62,585	7,202	51,910	(10,675)
Housing and Communities Programme Board	1,830	103	1,933	(14)	509	(1,424)
Housing and Communities Programme Board Rolling Programmes	900	13	913	146	750	(163)
Transportation Programme Board	17,676	5,741	23,417	668	8,860	(14,557)
Transportation Programme Board Rolling Programmes	4,288	334	4,622	0	3,000	(1,622)
Strategic Asset & Capital Plan Board	6,834	542	7,376	548	4,300	(3,076)
Strategic Asset & Capital Plan Board Rolling Programmes	2,253	203	2,456	775	2,456	0
Developer Obligation Projects & Asset Disposals	0	0	0	78	54	54
<b>Total Expenditure</b>	<b>214,392</b>	<b>34,107</b>	<b>248,499</b>	<b>30,818</b>	<b>186,101</b>	<b>(62,398)</b>
<b>Capital Funding:</b>						
Income for Specific Projects	(67,044)	(18,210)	(85,254)	(3,637)	(32,777)	52,477
Developer Contributions	0	0	0	(37)	(54)	(54)
Capital Grant	(18,512)	0	(18,512)	(4,628)	(18,512)	0
Other Income e.g. Borrowing	(128,836)	(15,897)	(144,733)	(22,516)	(134,758)	9,975
<b>Total Income</b>	<b>(214,392)</b>	<b>(34,107)</b>	<b>(248,499)</b>	<b>(30,818)</b>	<b>(186,101)</b>	<b>62,398</b>

The new working practice guidelines introduced to allow safe working during the pandemic continue to have an impact across the Construction Industry. Council officers have also been made aware of concerns from across the Construction Industry regarding shortages of products and raw materials across the UK which may also impact on future costs. Ordering lead times are extending across the sector with the risk of increased delay impacts to projects. There is evidence that supply chains are struggling to keep up with the surge in demand for construction related projects as the country continues to move out of lockdown.

These emerging and rapidly changing factors present challenges in producing robust financial forecasts for projects, particularly those which are in development and design stages. As such the forecasts outturns quoted above represent a point in time and there is strong probability, they will be subject to change as the financial year progresses and additional information becomes available.

Expenditure for Quarter 1 2021/22 includes land assembly costs for the acquisition of 91 – 93 Union Street (Aberdeen Market) for the next stage of the City Centre Masterplan, and land on Shoe Lane for the Queen Street Redevelopment. As reported to Capital Programme Committee, progress also continues on the Replacement Milltimber Primary School, the refurbishment of Union Terrace Gardens, the Early Learning and Childcare (ELC) Programme, and construction of the Energy from Waste (EfW) facility in East Tullos.

Tenders which are currently expected to be awarded during Quarter 2 2021/22 include the main contractor for Torry Primary School and Community Hub, Countesswells Primary, and the Torry Heat Network.

## Housing Capital Programme

Housing Capital programme experienced issues with the response to the COVID-19 pandemic in 2020/21. Sites for the New Homes Programme were closed for 3 months during the first lockdown and there were constraints around undertaking work in tenant's houses.

The assumption at quarter 1 is that budget will be achieved in 2021/22 and this will be closely monitored. The rolling programme experienced significant delays due to COVID-19 in 2020/21 with Building Services responding only to emergency works and voids with only a brief respite to this arrangement. Work on windows, kitchens and bathrooms stopped in 2020/21 and the programme was rolled forward into 2021/22, this has now recommenced with spend occurring on rewiring, heating system replacement, kitchens and bathrooms in quarter 1.

New build programme has recommenced with spend on Summerhill, Wellheads and Auchmill in Quarter 1.

Housing Capital Programmes	Approved Budget	Expenditure to date	Forecast Expenditure
As at 30 June 2021	£'000	£'000	£'000
Compliant with the tolerable standard	2,400	382	2,400
Free from Serious Disrepair	11,029	332	11,029
Energy Efficient	10,674	2,326	10,674
Modern Facilities & Services	2,339	314	2,339
Healthy, Safe and Secure	7,866	228	7,866
<i>Non Scottish Housing Quality Standards</i>			
Community Plan and Local Outcome Improvement Plan	5,995	286	5,995
Service Expenditure	4,011	104	4,011
2000 New Homes Programme	109,215	10,469	109,215
	<b>153,529</b>	<b>14,441</b>	<b>153,529</b>
less 11% slippage	(5,645)		(5,645)
<b>Net Programme</b>	<b>147,884</b>	<b>14,441</b>	<b>147,884</b>

<b>Capital Funding</b>			
Borrowing	(114,928)	(8,804)	(114,928)
Other Income - Grants Affordable Homes etc	(7,116)	(54)	(7,116)
Capital Funded from Current Revenue	(25,840)	(5,583)	(25,840)
<b>Total</b>	<b>(147,884)</b>	<b>(14,441)</b>	<b>(147,884)</b>

## Common Good

As at 30 June 2021	Full Year Budget 2021/22 £'000	Forecast Expenditure 2021/22 £'000	Variance from Budget £'000
Recurring Expenditure	3,070	2,993	(77)
Recurring Income	(4,015)	(4,015)	0
<b>Budget after Recurring Items</b>	<b>(945)</b>	<b>(1,022)</b>	<b>(77)</b>
Non-Recurring Expenditure	445	458	13
Non-Recurring Income	0	0	0
<b>Net (Income)/Expenditure</b>	<b>(500)</b>	<b>(565)</b>	<b>(65)</b>
<b>Cash balances as at 1 April 2021</b>	<b>(34,421)</b>	<b>(34,421)</b>	
Net (Surplus)/Deficit for year to date*	(500)	(565)	
Net Capital Receipt			
<b>Cash Balances as at 31 March 2022</b>	<b>(34,921)</b>	<b>(34,986)</b>	

\* The budgeted Surplus on the Common Good is intended to increase cash balances to protect the underlying value of investment returns.

## Notes

The Common Good is forecast to be ahead of budget, which is due to a number of minor variances:

- To date there has been one event cancellation - the Highland Games - because of the Covid pandemic, offset by additional costs now forecast in relation to the Christmas Lights budget. The impact of further event changes/cancellations will be updated as the financial year progresses.
- Additional costs include the expenditure approved by the City Growth and Resources 11 May 2021:
  - o Relocation of the Denis Law Statue - £12.5k
- Income is forecast to remain on budget although the level of outstanding invoices is being reviewed regularly to assess the level of risk of non-payment.
  - The investment of cash balances in a multi-asset income fund, approved by Council on 10 March 2021, is progressing with the fund manager having now been selected (Fidelity). Investments will be made during Quarter 2, and returns will then accrue, forecasts will be reviewed once the investments are in place.



**COMMON GOOD  
FINANCIAL STATEMENT  
FOR THE PERIOD ENDING  
30 June 2021**

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## Common Good

The Common Good stands separate from other accounts and funds of the Council and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land and buildings, such as industrial estates and farms, with cash balances usually being held on deposit with other local authorities, building societies and the Council's Loans Fund. Following the decision of Council to seek alternative investment opportunities for the cash balances, an investment of up to £30m will be placed in a Multi-Asset Income Fund with a fund manager. In quarter one the fund manager selection was undertaken and will be Fidelity. During quarter two the investment transactions will be completed, returns then being available for the remainder of the year.

## Movement in Reserves Statement

	Common Good Fund £'000	Reserves Fund £'000	Total Common Good £'000
<b>Balance at 31 March 2021</b>	<b>(127,049)</b>	<b>(68)</b>	<b>(127,117)</b>
<b>Movement in Reserves during 2021/22</b>			0
(Surplus) or Deficit on provision of services	(788)	0	(788)
(Surplus) or Deficit on revaluation of investment property	0	0	0
<b>Total Comprehensive Expenditure and Income</b>	<b>(788)</b>	<b>0</b>	<b>(788)</b>
<b>Balance at 30 June 2021</b>	<b>(127,837)</b>	<b>(68)</b>	<b>(127,905)</b>

## Comprehensive Income and Expenditure Statement

Quarter 1, 2021/22				
	Gross Expenditure £'000	Gross Income £'000	Net (Income) Expenditure £'000	Notes
Grants & Contributions to External Organisations	143		143	
External Organisations Rents	28		28	
Promoting Aberdeen	(8)		(8)	
Grants/Services Provided by Aberdeen City Council	13		13	
Civic Service Funding	136		136	
Duthie Park HLF	0		0	
Specific Projects	49		49	
Earmarked Reserves	14		14	
<b>Cost Of Services</b>	<b>375</b>	<b>0</b>	<b>375</b>	<b>1</b>
Other Operating Expenditure			0	<b>2</b>
Financing and Investment Income and Expenditure			(1,163)	<b>3</b>
<b>(Surplus) or Deficit on Provision of Services</b>			<b>(788)</b>	
(Surplus) or Deficit on revaluation of investment property			0	<b>4</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(788)</b>	

### Notes

1. This is project expenditure to 30 June 2021.
2. This reflects any gains or losses on the disposal of assets during the year. Disposals will be accounted for at year end.
3. This reflects income receivable from investment land and properties net of associated expenditure.
4. The revaluation of investment property will be undertaken in Quarter 4.



## Balance Sheet

31 March 2021 £'000			30 June 2021 £'000	Notes
92,696		Investment Property	92,696	1
<b>92,696</b>		<b>Long Term Assets</b>	<b>92,696</b>	
33,775		Investments in Aberdeen City Council Loans Fund	35,816	2
0		Investment Property Held for Sale	0	3
961		Short Term Debtors	189	4
<b>34,736</b>		<b>Current Assets</b>	<b>36,005</b>	
(315)		Short Term Creditors	(796)	5
<b>(315)</b>		<b>Current Liabilities</b>	<b>(796)</b>	
<b>127,117</b>		<b>Net Assets</b>	<b>127,905</b>	
(127,050)		Common Good Fund	(127,837)	6
(68)		Reserve Fund	(68)	6
<b>(127,117)</b>		<b>Total Reserves</b>	<b>(127,905)</b>	

## Notes

1. The revaluation of investment property will be undertaken in Quarter 4, at which time this figure will be updated.
2. Reflects current cash balances held following transactions to 30 June 2021.
3. Will be reviewed and updated accordingly in Quarter 4.
4. Based on transactions to 30 June 2021.
5. Based on transactions to 30 June 2021.
6. Reflects the accounting value of the funds, based on transactions to 30 June 2021.

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**GROUP ENTITIES  
PROJECTED FINANCIAL  
POSITION FOR THE YEAR 2021/22**

Aberdeen City Council holds a financial interest in a number of Subsidiaries, Associates and Joint Ventures. The most significant of these are included in the Council's Group Accounts.

The table below outlines the entities to be consolidated into the Council's Group Accounts and details the Council's share of "ownership" of each of the entities

For the Financial Year 2021/22	ACC Control	ACC Commitment to meet accumulated deficits	Annual Turnover
	%	%	£m
<b>Subsidiaries</b>			
Common Good	100	100	4
Trust Funds	100	100	0
Sport Aberdeen Limited	100	100	10
Bon Accord Care Limited	100	100	24
Bon Accord Support Services Limited	100	100	31
<b>Joint Ventures</b>			
Aberdeen Sports Village Limited	50	50	5
Aberdeen City Integration Joint Board	50	50	288
<b>Associates</b>			
Grampian Valuation Joint Board	39	39	5

The Council has agreed to include information only when it has been reported through a group entities governance structure.

For the Financial Year 2021/22	Reporting Date	Surplus/(deficit) attributable to the Council at Reporting date	Forecast Surplus/(Deficit)	Comment
		£'000	£'000	
<b>Subsidiaries</b>				
Common Good	30.06.21	788	65	
Trust Funds	31.03.21	343	-	Full year forecast not yet internally reported as at Q1
Sport Aberdeen Limited	31.05.21	81	-	Full year forecast not yet internally reported as at Q1
Bon Accord Care Limited and Bon Accord Support Services Ltd	30.06.21	(145)	0	Break even
<b>Joint Ventures</b>				
Aberdeen Sports Village Limited	31.05.21	(954)	-	Full year forecast not yet internally reported as at Q1
Aberdeen City Integration Joint Board	30.06.21	0	0	Break even
<b>Associates</b>				
Grampian Valuation Joint Board	30.06.21	87	-	Full year forecast not yet internally reported as at Q1

The notes below summarise the current financial position in respect of each of the group entities.

## **Subsidiaries**

### **Common Good**

The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land and buildings, such as industrial estates and farms, with any surplus being placed on cash deposit, which will change during 2021/22 to be substantially invested in a multi-asset income fund managed by Fidelity.

The Common Good is currently forecasting a surplus of £65k for 2021/22 mainly due to £77k budget allocated for Highland Games not expected to be spent due to the games being cancelled. This surplus is reduced by a contribution of £12.5k towards the Denis Law statue approved in the CG&R committee on 11/05/21, see Appendix 2. The financial statements for the quarter are shown in Appendix 3.

### **Trust Funds**

The Council is responsible for the administration of various trusts created by bequest or evolved through history or by public subscription which are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and also the administration of the Guildry. The money earned from the investments of the Trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes.

At the end of March 2021, the Trusts reported a net surplus of £343k.

The Trusts are not expected to have a material impact on the Council's financial position for 2021/22.

### **Sport Aberdeen**

Sport Aberdeen Limited is a charity and constitutes a limited company, limited by guarantee. The principal activity of the company is the provision of recreation leisure facilities and services on behalf of Aberdeen City Council in accordance with key priorities. Although Aberdeen City Council does not own the entity, it is considered that control representing power to govern exists through agreements in place and that Sport Aberdeen Limited operates as a structured entity of the Council.

The results for the period ended 31<sup>st</sup> May 2021 show net income for the year of £81k.

### **Bon Accord Care and Bon Accord Support Services**

Bon Accord Care Limited (BAC) and Bon Accord Support Services Limited (BASS) are private companies limited by shares which are 100% held by Aberdeen City Council. Bon Accord Care provides regulated (by the Care Inspectorate) care services to Bon Accord Support Services which in turn delivers both regulated and unregulated adult social care services to the Council.

The consolidated position of Bon Accord Care and Bon Accord Support Services shows a deficit of £145k as at 30<sup>th</sup> June 2021 which is £57k higher than the budgeted deficit of £89k.

This is mainly due to large spend on equipment incurred in the earlier half of the financial year and reducing later in the financial year. Furthermore, there are corrective actions being undertaken to reduce expenditure.

BAC and BASS are forecasting a break-even position for 2021-22.

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## Joint Ventures

### **Aberdeen Sports Village Limited (ASV)**

ASV Ltd is a company limited by guarantee and registered as a charity. It is a joint venture company owned equally by the Council and The University of Aberdeen. ASV Ltd was incorporated in 2007 and its objectives are to provide sports and recreational facilities, including elite sports facilities for the use of both students and staff of the University of Aberdeen and the general public, and the advancement of public participation in sport.

The financial year end for ASV Ltd is not aligned to the Council's with its year end being 31 July. The latest available financial information for Aberdeen Sports Village is for the period ended 31 May 2021. This showed that ASV Ltd reported a deficit of £1,909k. The share of the deficit being attributed to the Council is £954k.

### **Aberdeen City Integration Joint Board (IJB)**

The IJB was established by order of Scottish Ministers on 6 February 2016, becoming fully operational from 1 April 2016. The IJB is responsible for the strategic planning, resourcing and operational delivery of all integrated health and social care within the Aberdeen City area. This has been delegated by the partners, Aberdeen City Council and NHS Grampian.

As at 30 June 2021, the IJB is forecasting a break-even position for financial year 2021/22.

Further analysis of the IJB variance can be seen in Appendix 1

## Associates

### **Grampian Valuation Joint Board**

The Grampian Valuation Joint Board was created following Local Government Re-organisation on 1 April 1996, under the Local Government (Scotland) Act 1994 and covers the local government areas of Aberdeen City, Aberdeenshire and Moray.

The Board has reported a surplus of £87k as at 30<sup>th</sup> June 2021 which is £67k more than the budgeted surplus of £20k at the same date.

This has arisen due to savings from existing staffing vacancies of £120k which is netted off against overspend on accommodation of £63k.

The portion of the surplus attributable to ACC is £34k.

## FINANCIAL RESILIENCE FRAMEWORK

### 1. Introduction

- 1.1 For Local Authorities generally, the measure of financial resilience has been to rely on in-year contingencies and its Reserves Policy.
- 1.2 The Council acknowledged, in the reports to the Urgent Business Committee and City Growth and Resources Committee in 2020, that financial resilience was a crucial aspect of financial management that became more important in times of crises, such as a global pandemic.
- 1.3 It was recognised that financial resilience was more than about its reserves and there was a need to be more comprehensive in the assessment of the measures of resilience. In the Medium Term Financial Strategy, approved on 28 October 2020 it was agreed that the Council's approach to financial resilience was to be developed further.
- 1.4 While the Covid-19 pandemic brought a specific focus to the subject, it was not the sole reason for further work. The ongoing national debate on the financial sustainability of the local government sector in Scotland, has followed on from the increasing number of local authorities in England in recent years that have found themselves in financial difficulty, resulting in Chief Financial Officers having to prepare formal s114 notices.<sup>1</sup>
- 1.5 There has been greater emphasis from external auditors on the assurance and demonstration of the concept of 'going concern' for local authorities and this being a key area of audit activity now.
- 1.6 All of this adds up to the need for greater attention to be paid to the financial resilience of the Council and to consider what financial resilience is, how it is defined and measured and what it leads us to do.
- 1.7 The development of a financial resilience framework to shape the Council's understanding of key aspects of financial strength is the starting point and to define the areas that are most appropriate to consider. Further work will be done to develop this by looking at the comparators, where this applies, and also to consider in more detail the exposure the Council has from its Group entities.
- 1.8 The framework set out here is designed to be the first stage of addressing the instruction to the Chief Officer – Finance from the City Growth and Resources Committee to further develop the approach to financial resilience.

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<sup>1</sup> Section 114 notices are the mechanism through which English local authorities report that they are unlikely to achieve a balanced budget for the financial year.

## 2. **Background**

- 2.1 The Council has always reviewed and paid attention to its usable reserves, those that it can draw on in a time of need. To this effect the Council has in place its Reserves Policy, which it reviews annually as part of the budget setting process. This is done in the context of assessing the level of reserves needed to meet estimated future expenditure when calculating the budget requirement. The Chief Officer - Finance is required, as part of the budget setting process each year, to provide a statement on the adequacy of reserves that is subject to an external audit review to assess value for money and a going concern opinion.
- 2.1 The Council keeps a level of reserves to protect against the risk of any uncertainties or unforeseen expenditure. This is considered best practice and demonstrates sound financial planning. Much like using savings to offset monthly household bills the use of financial reserves cannot solve a budget problem outright but allows for smoothing of impacts or allows the Council time to ride any short-term situations before returning to normal.
- 2.3 Therefore, reserves are mainly available to;
- ✓ Manage the impact of cuts over a longer period of time;
  - ✓ Invest in schemes that allow services to be delivered at lower cost;
  - ✓ Take “one-off hits” for the council as a whole without the need to further reduce service budgets;
  - ✓ Provide capacity to absorb any non-achievement of planned budget reductions in each year;
  - ✓ To temporarily roll over unused portions of grants that can legally be used at a later date;
  - ✓ To insure against major unexpected events (such as flooding);
  - ✓ To guard against general risk (such as changes in contingent liabilities);
  - ✓ To guard against emergent specific risks (such as a pandemic or financial crisis).
- 2.4 Financial resilience of the Council needs to be looked as a much wider subject as it is about our ability to anticipate, prepare for and respond to the changing financial environment, derived from internal decisions and external factors. To be financial resilient, is to know what would be available in the time of crisis, is to understand the exposure to loss of income, and commitment to expenditure, as well as understanding the flexibility the Council has in terms of accessing funds when they are needed.
- 2.5 In the Medium Term Financial Strategy financial resilience has been broken into the following four areas:
- Review of the Council’s Balance Sheet
  - Capital financing; investment, and borrowing
  - Build financial resilience and independence
  - Identify those that should pay by minimising fraud and avoidance



- 2.6 Maintaining a strong balance sheet provides the assurance that the Council is in a position to respond in the time of crisis, it can meet its obligations and provides confidence in the Council's ability to participate with our full range of stakeholders. They include our external auditors, our bond holders, credit rating agency, contractors and suppliers, and ALEOs.
- 2.7 Supporting our resilience in our balance sheet includes:
- In-year financial performance to manage the budget position, including cashflow;
  - An annual review of the balance sheet by our treasury advisors, with a focus on capital financing requirement, liquidity and long term borrowing;
  - Regular review of usable reserves and the appropriateness of sums earmarked; and
  - Regular review of provisions held.
- 2.8 Bringing all of this together to provide the information to the Council in a form that it can take account of in its decision making is an important next step. To inform that, further consideration has been given to the CIPFA Resilience Index that has been prepared with English Local Authorities, Moody's credit rating assessment reports and careful thought about what is important to the resilience of the Council, these areas will be refined to be more specific in due course.

### 3. **Proposal**

- 3.1 It is proposed to expand and redefine the components of financial resilience originally included in the MTFs. That expansion results in the following framework:
- Council reserves and liquidity (*the availability of resources*);
    - Reserves
    - Net Worth
    - Liquidity
    - In this section further work is anticipated regarding the Council exposure to its Group
  - Capital financing; investment, and borrowing (*the creation of resources and gearing*);
    - Capital Finance Requirement
    - Debt
    - Prudential indicators
    - Investment
  - Build financial resilience and independence (*the longevity and trends in resources*);
    - Top income streams
    - Top expenditure commitments
    - Operational Cashflow understanding
    - Exposure to areas of high demand (e.g. Adult and Children Social Care, Education)

- In this section further work is anticipated regarding the Council exposure to its Group
  - Identify those that should pay by minimising fraud and avoidance (*the security of resources*).
    - Counter fraud policy and procedure
    - Counter fraud resource
    - National Fraud Initiative
    - Internal and external audit assurance
- 3.2 The Council's financial resilience framework will sit within the Medium Term Financial Strategy and will be populated based on audited information up to 31 March 2021. The refreshed MTFS on 2 November 2021 will provide the first analysis of the framework.
- 3.3 The proposal is to obtain relevant information to measure the Council finances using the Financial Statements and additional information obtained from the audited Annual Accounts. This will provide the data to calculate a consistent set of relevant ratios that are important to measuring the strength and depth of the Council finances.
- 3.4 The intention is to go further and understand other aspects of the Council's financial position through the use of trend data to consider the impact of history and where possible to look forward based on Council approved plans and strategies.
- 3.5 The relevance and purpose of ratios needs to be carefully considered as they should all have a purpose. The proposal is to avoid simply listing lots of calculations just because they can be calculated, they will have a defined purpose. Examples of the type of ratio that are likely to be included are:

<b>Financial Resilience Category</b>	<b>Potential Ratios/Measures</b>
Availability of Resources	Usable Reserves / Net Revenue inc. HRA (%)
Availability of Resources	Net Worth / Net Direct & Indirect Debt (%)
Availability of Resources	Usable Reserves - GF / Net Revenue (%)
Availability of Resources	Usable Reserves - HRA / HRA Revenue (%)
Availability of Resources	Reserves Sustainability Measure
Availability of Resources	Level of Usable Reserves
Availability of Resources	Change in Usable Reserves
Availability of Resources	Council Tax Requirement / Net Revenue (%)
Availability of Resources	Unallocated Reserves
Availability of Resources	Earmarked Reserves
Availability of Resources	Change in Unallocated Reserves
Availability of Resources	Change in HRA Reserves
Availability of Resources	Current Ratio
Availability of Resources	Working Capital
Creation of Resources & Gearing	Net Direct & Indirect Debt / Net Revenue inc. HRA (%)

Creation of Resources & Gearing	Capital Financing Requirement / Net Revenue inc. HRA (%)
Creation of Resources & Gearing	Short-Term Direct Debt / Direct Debt (%)
Creation of Resources & Gearing	Capital Financing Requirement / Total Gross Income (%)
Creation of Resources & Gearing	Capital Financing Requirement - GF / Net Revenue (%)
Creation of Resources & Gearing	Capital Financing Requirement - HRA / HRA Revenue (%)
Creation of Resources & Gearing	Interest Payments - GF / Net Revenue (%)
Creation of Resources & Gearing	Interest Payments - HRA / HRA Revenue (%)
Creation of Resources & Gearing	Interest Payments / Net Revenue inc. HRA (%)
Creation of Resources & Gearing	Gross External Debt
Longevity and Trends in Resources	Adult Social Care Ratio
Longevity and Trends in Resources	Children Social Care Ratio
Longevity and Trends in Resources	Education Ratio

- 3.6 The data on income and expenditure trends will be taken from audited Annual Accounts, budgets, CIPFA and Scottish Government returns, the contracts register and Scottish Government finance circulars.
- 3.7 For the purposes of materiality and relevance, the proposal is to focus on the 'top 20' income streams and expenditure commitments that the Council has, based on value.
- 3.8 Security of resources will rely on the three lines of defence in the Risk Assurance Maps, including findings and the opinion of internal and external auditors.

#### 4. **Using the Financial Resilience Framework**

- 4.1 Financial resilience ratios, trends and data collated to support a comprehensive view of the Council is not about there being one answer, nor is it about a statement of right or wrong. Instead, it is about providing context for decision making and planning. Through having the understanding of other aspects of Council finance I expect the Council to be able to consider more than simply balancing the budget. This might include decisions to grow reserves or address an adverse trend in expenditure commitments or reduce borrowing. This will assist the Council to be well informed and can make the choices it is entitled to make.

- 4.2 Councils have a very long history and decisions have been taken at different times for different reasons both at a local and national government level that leaves each Council today in the situation it is. Therefore, every Council is in a different position, no two Councils will have experienced the same history and it is inevitable the financial resilience of all will be different.
- 4.3 The financial resilience framework proposed should, in my view, be used as the basis for understanding the underlying financial position of the Council, from which decisions have to be taken, to provide the basis for highlighting where action is required or where it should be considered. The opportunity to get an insight into aspects of Council finance that may only emerge over time and that on an annual cycle could be overlooked or not given sufficient consideration.
- 4.4 I see some ratios having a direct impact on the short-term financial planning of the Council, while other being considered with aspiration and objectives stretching out over the medium to long term.
- 4.5 The data can act as triggers for action, with the final chosen ratios, where appropriate, to have in place some parameters to define or describe the urgency, scale and pace of action that is required. As the information accumulates then it can act as an early warning of emerging pressures.
- 4.6 As noted above the first set of Council figures will be incorporated into the Council's MTFs, being prepared for the City Growth and Resources Committee on 2 November 2021.

## 5. **Future development**

- 5.1 As referred to above, the Council has group entities that are incorporated into its accounts and therefore holds risk and reward from the relationships that it has. Given the impact of the pandemic on the group entities, I propose that over the next year, in conjunction with them, we do further work to understand the relevant exposure that the Council has to each and to document this in an appropriate way.
- 5.2 The ambition is that with further development and engagement with stakeholders in Scotland, and by using information from a common data set, prepared using the same accounting standards it gives the opportunity to compare the Council with its peers. I will update the Committee as this moves forward.