

# Public Document Pack



To: Councillor McLellan, Convener; Councillor Yuill, Vice-Convener; and Councillors Al-Samarai, Blake, Cooke, Farquhar, Grant, Greig, Houghton, Hutchison, Macdonald, Nicoll and Radley.

Town House,  
ABERDEEN 28 July 2022

## **CITY GROWTH AND RESOURCES COMMITTEE**

The Members of the **CITY GROWTH AND RESOURCES COMMITTEE** are requested to meet in the **Council Chamber - Town House** on **WEDNESDAY, 3 AUGUST 2022 at 10.00 am**. This is a hybrid meeting and Members may also attend remotely.

The meeting will be webcast and a live stream can be viewed on the Council's website. <https://aberdeen.public-i.tv/core/portal/home>

FRASER BELL  
CHIEF OFFICER - GOVERNANCE

### **BUSINESS**

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

1.1. Notification of Urgent Business

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

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EHRIsAs related to reports on this agenda can be viewed [here](#)

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## CITY GROWTH AND RESOURCES COMMITTEE

ABERDEEN, 21 June 2022. Minute of Meeting of the CITY GROWTH AND RESOURCES COMMITTEE. Present:- Councillor McLellan, Convener; Councillor Yuill, Vice-Convener; and Councillors Al-Samarai, Blake, Cooke, Farquhar, Graham (as substitute for Councillor Grant for Article 11), Grant, Greig, Houghton, Hutchison, Macdonald, Nicoll and Radley.

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.

### NOTIFICATION OF URGENT BUSINESS

1. The Convener advised that he had agreed to accept an urgent notice of motion by Councillor Houghton onto the agenda in terms of Section 50(4)(b) of the Local Government (Scotland) Act 1973, and that it would be considered as the next item of business.

**The Committee resolved:-**  
to note the position.

### URGENT NOTICE OF MOTION BY COUNCILLOR HOUGHTON

2. The Committee had before it an urgent notice of motion by Councillor Houghton in the following terms:-

“That the Committee -

1. Notes the announcement of the Eurovision Broadcasting Union that the organisation is considering the United Kingdom as the host of Eurovision 2023 should Ukraine be unable to host the competition due to the unacceptable Russian aggression against Ukraine.
2. Notes the awarding decision will be made by the British Broadcasting Corporation (BBC) should Ukraine be unable to host the competition.
3. Agrees the Event Complex Aberdeen opened in 2019 is the largest capacity venue in Scotland and is well suited to host the event.
4. Notes Aberdeen’s success in hosting previous significant cultural events such as the BBC Sports Personality of the Year Awards.

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5. Notes the significant interest shown by politicians of all political parties in hosting this event in Scotland, agreeing that Aberdeen is without doubt the best place to hold such a European event given Aberdeen remains the Energy Capital of Europe.
6. Instructs the Chief Officer - City Growth to engage with all relevant stakeholders including the BBC, UK government, the devolved Scottish Government and others to ensure a bid from Aberdeen is advanced quickly and efficiently should it become clear Ukraine are unable to host the competition.
7. Agrees to allocate £30,000 from contingencies to support a bid from Aberdeen and instruct the Chief Executive to write to both the UK and Scottish Government notifying them of Aberdeen's intention and asking for their support.
8. Instructs the Chief Officer - City Growth to bring a report back on progress to the next meeting of this Committee."

Councillor Hutchison advised that he had a connection in relation to the matter by virtue of his employer Kevin Stewart MSP having called for Aberdeen to host Eurovision, however having applied the objective test he did not consider that he had an interest and would not be withdrawing from the meeting.

Councillor Nicoll advised that he also had a connection by virtue of his wife, Audrey Nicoll MSP, having raised the matter, however having applied the objective test he did not consider that he had an interest and would not be withdrawing from the meeting.

The Convener advised that he also had a connection by virtue of his employer Jackie Dunbar MSP having signed a letter on the matter, however having applied the objective test he did not consider that he had an interest and would not be withdrawing from the meeting.

Councillor Radley advised that she also had a connection by virtue of her employer Jackie Dunbar MSP having signed a letter on the matter, however having applied the objective test, she did not consider that she had an interest and would not be withdrawing from the meeting.

Councillor Farquhar advised that she also had a connection by virtue of her employer Douglas Lumsden MSP having raised the matter previously, however having applied the objective test she did not consider that she had an interest and would not be withdrawing from the meeting.

**The Committee resolved:-**

to refer the urgent notice of motion to Full Council on 29 June 2022 for consideration.

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### DETERMINATION OF EXEMPT BUSINESS

3. The Convener proposed that the Committee consider items 13.2, 13.3, 13.4, 13.5, 14.1, 14.2 and 14.3, as undernoted, with the press and public excluded from the meeting. The Convener also proposed that the Committee consider item 13.1, as undernoted, in public.

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

- (i) in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of the following items of business:-
- 13.2 - Proposed Disposal of Lang Stracht Site
  - 13.3 - Proposed Disposal of 11/13 Belmont Street
  - 13.4 - Proposed Renunciation of Bon Accord Indoor Bowling Hall Lease
  - 13.5 - Proposed Disposal of Site 15 Denmore Road
  - 14.1 - External Funding - Exempt Appendices
  - 14.2 - Roads and Transport Related Budget Programme 2022-2023 - Exempt Appendices
  - 14.3 - ABZ Works Employability Plan - Exempt Appendix; and
- (ii) to consider item 13.1 (Extension to Term of New Lease - Request from Inchgarth, Loirston and Old Torry Community Centre Management Associations) in public.

### DECLARATIONS OF INTEREST AND TRANSPARENCY STATEMENTS

4. Councillor Grant declared interests in relation to agenda items 9.3 and 14.1 (External Funding) by reason of being a former Chairman of the Tillydrone Community Development Trust and due to his employment by Aberdeen Inspired. Councillor Grant considered that the nature of his interests would require him to leave the meeting prior to consideration of the item and advised that Councillor Graham would join the meeting as his substitute.

Councillor Grant advised that he had a connection in relation to agenda item 13.3 (Proposed Disposal of 11/13 Belmont Street) by virtue of having been in discussions with one of the stakeholders involved in the report, however having applied the objective test, he did not consider that he had an interest and would not be withdrawing from the meeting.

Councillor Houghton advised that he also had a connection in relation to agenda item 13.3 by virtue of having previously been in discussions with one of the stakeholders involved in the report, however having applied the objective test, he did not consider that he had an interest and would not be withdrawing from the meeting.

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### DEPUTATIONS

5. The Committee noted that deputation requests had been received from Mr Paul O'Connor (Inchgarth Community Centre) and Mr David Fryer (Old Torry Community Centre) in relation to agenda item 13.1 (Extension to Term of New Lease - Request from Inchgarth, Loirston and Old Torry Community Centre Management Associations), however they had been received beyond the deadline for submission set out in Standing Orders.

**The Committee resolved:-**

to suspend Standing Order 14.1 to hear the deputations.

### MINUTE OF PREVIOUS MEETING OF 3 FEBRUARY 2022

6. The Committee had before it the minute of its previous meeting of 3 February 2022.

**The Committee resolved:-**

to approve the minute.

### COMMITTEE PLANNER

7. The Committee had before it the Committee Business Planner prepared by the Chief Officer - Governance.

**The Committee resolved:-**

- (i) to note the reasons for the reporting delay in relation to items 6 (Flood Risk Management Strategies), 11 (City Centre Multi Storey Blocks - Option Appraisal), 12 (Aberdeen Community Wealth Building), 13 (Aberdeen Hydrogen Hub - Site Selection) and 22 (Sustainable Drainage System (SUDS) Section 7);
- (ii) to transfer item 19 (International Trade Plan 2022-2023) to the Council Business Planner;
- (iii) to note that the Chief Officer - City Growth would discuss item 48 (Impact on Aberdeen of Scottish Government Funding) with the Chief Officer - Finance and report back on the outcome;
- (iv) with regard to item 53 (External Transportation Links to Aberdeen South Harbour), to request the Chief Officer - Capital to provide a service update on whether the timelines could be shortened in relation to the project following the appointment of consultants; and
- (v) to otherwise note the content of the Committee Business Planner.

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**COUNCIL FINANCIAL PERFORMANCE - QUARTER 4, 2021/22 - RES/22/136**

8. The Committee had before it a report by the Chief Officer - Finance which provided the full year actual financial position of the Council against budget for the financial year 2021/22, including (1) General Fund and Housing Revenue Account revenue and capital accounts; and (2) Common Good Revenue Account and Balance Sheet.

**The report recommended:-**

that the Committee -

- (a) note the unaudited final outturn position for financial year 2021/22 as detailed in Appendix 1;
- (b) note that the General Fund had recorded an operational surplus of £1.310m for the year 2021/22, which had been added to the earmarked sum set aside for Covid resilience. The uncommitted General Fund reserve remained in line with the approved Reserves Policy;
- (c) note that the Housing Revenue Account had recorded a surplus of £0.500m for the year, in line with budget and increasing the uncommitted working balance for use in future years;
- (d) note that the Common Good had recorded an operating surplus of £1.620m for the year, which was better than the approved use of cash reserves. After investment valuation changes and capital receipts were included cash balances increased by £5.378m and remained in line with recommended levels;
- (e) approve the various transfers for 2021/22 between Council Reserves and Earmarked sums for the General Fund, Housing Revenue Account, Common Good and Statutory Funds as of 31 March 2022, as detailed in Appendix 1;
- (f) approve the reprofiling of the 2022/23 - 2025/26 capital programmes to take account of the year end position and that the outcome of this is incorporated into the 2022/23 Quarter 1 reporting; and
- (g) note that the unaudited Annual Accounts for 2021/22 would be presented to Audit, Risk and Scrutiny Committee on 30 June 2022, including the Annual Governance Statement and Remuneration Report for the year.

The Convener moved, seconded by Councillor Hutchison:-

That the Committee approve the recommendations contained within the report and record its thanks and gratitude to Council staff involved in ensuring the Council meets its quarterly budgetary targets throughout a particularly challenging environment in 2021/22.

Councillor Houghton moved as an amendment, seconded by Councillor Farquhar:-

That the Committee -

- (1) approve recommendations (a), (b), (c), (e), (f) and (g);
- (2) revise recommendation (d) as follows - note that the Common Good had recorded an operating surplus of £1.620m for the year, which was better than the approved use of cash reserves. After investment valuation changes and capital receipts were included, cash balances increased by £5.378m and

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remained in line with recommended levels. Welcome that the Common Good cash balances had increased by £32.747m over the life of the previous Council Administration (2010-2022);

- (3) agree to award Sport Aberdeen £100,000 in support of provision for swimming related activities from the Common Good Fund;
- (4) acknowledge that the decisions made by the previous Administration to deliver a major transformation programme through the Target Operating Model had been critical to ensuring the Council, one of the lowest funded in Scotland, could meet its obligations, balance its budget and continue to deliver frontline services; and
- (5) record our thanks and gratitude to Council staff involved in ensuring the Council meets its quarterly budgetary targets throughout a particularly challenging environment in 2021/22.

On a division, there voted:- for the motion (8) - the Convener; the Vice Convener; and Councillors Al-Samarai, Cooke, Greig, Hutchison, Nicoll and Radley; for the amendment (5) - Councillors Blake, Farquhar, Grant, Houghton and Macdonald.

**The Committee resolved:-**

to adopt the motion.

### **SUPPLY CHAIN VOLATILITY - RES/22/131**

9. The Committee had before it a joint report by the Chief Officer - Capital and the Chief Officer - Commercial and Procurement which provided an overview of current market conditions and supply chain volatility and the risks and impacts to the Council financially and in terms of the procurement workplans.

**The report recommended:-**

that the Committee -

- (a) note the global external factors that are having a negative impact on capital and revenue costs, including the delivery of Capital programmes/projects in terms of their budget and delivery timelines;
- (b) in light of these external cost and time pressures, instruct the Chief Officer - Capital to review the approved General Fund and Housing Capital programmes/projects in terms of timeline delivery and financial viability and to consider the impact on service delivery as a result of revised delivery timelines.

The review will be informed by the following criteria:

- Investment, why are we doing it / meeting outcomes
- Economic, value for money
- Commercial, procurement / delivery mechanism



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- Environmental, inclusive of Net Zero

In addition, cognisance will be taken of where each project currently sits within its full life cycle; i.e. is it at feasibility stage, design development or construction and whether there are any interdependencies;

- (c) instruct the Chief Officer - Capital to report the outcome of the review, following completion of recommendation (b), to the Council meeting on 24 August 2022, within the report being prepared by the Chief Executive on the Policy Statement "Working in Partnership for Aberdeen" and its impact on the Council's Commissioning Intentions, Service Standards and Budgets for 2022/23;
- (d) in advance of a report detailing the outcome of the review in (c) above, approve that the Director of Resources may reprofile capital projects in consultation with the Chief Officer - Capital and the Chief Officer - Finance and the Convener and Vice Convener of the City Growth and Resources Committee where supply chain volatility may lead to additional costs or revised timelines;
- (e) note that the Council will request an opinion from our external auditors on the impact of this from a value for money perspective;
- (f) note the mitigation actions to be adopted as detailed in paragraph 3.19 to 3.27;
- (g) note that the Chief Officer - Finance instructed a London Stock Exchange (LSE) announcement in respect of this report, drawing attention to the potential it has to impact upon the financial resources of the Council;
- (h) note that the Chief Officer - Finance will include an estimate of the financial implications of supply chain volatility in the Quarter 1 financial performance report that will be reported to this Committee on 4 August 2022;
- (i) instruct the Director of Resources to identify, implement or recommend appropriate actions in addition to those already identified in this report, to mitigate the impact of the issues described in this report to ensure a balance budget is maintained for 2022/23;
- (j) instruct the Director of Resources to include the issue of ongoing uncertainty re inflation within bid documentation and request an initial meeting for any successful bids to discuss how the ongoing inflation risk will be jointly managed between government and the Council; and
- (k) note that the Roads Maintenance programme has been reviewed in accordance with the cost pressures and is presented to the committee in another report on this agenda (OPE/22/098).

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

to approve the recommendations subject to amending recommendation (d) as follows:-  
 in advance of a report detailing the outcome of the review in (c) above, to approve that the Director of Resources take a report to the Urgent Business Committee on any proposed reprofile of capital projects where supply chain volatility may lead to additional cost or revised timelines outwith the current project budget and budgeted contingency provisions.

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**The Convener proposed that item 13.1 on the agenda (Extension to Term of New Lease - Request from Inchgarth, Loirston and Old Torry Community Centre Management Associations) be considered at this juncture and this was agreed.**

**EXTENSION TO TERM OF NEW LEASE - REQUEST FROM INCHGARTH, LOIRSTON AND OLD TORRY COMMUNITY CENTRE MANAGEMENT ASSOCIATIONS - RES/22/124**

**10. (A)** The Committee received a deputation from Mr Paul O'Connor of Inchgarth Community Centre.

Mr O'Connor expressed his disappointment at not having seen the report until it was made public and stated that he would categorically reject every change, clause and burden placed on Inchgarth Community Centre and other centres. In particular, he referred to utility bills and the proposal that community centres should have to pay, which he found offensive to the volunteers who ran community centres, and if those costs were passed onto community centres they would be forced to close.

Mr O'Connor explained he was seeking support for a 25-year lease for Inchgarth Community Centre and called on the committee to back their vision to expand. He emphasised the excellent services his community centre provided and was of the view that the Council could not provide such services physically or financially. He added that Inchgarth Community Centre delivered 170 classes a week which was 'water into wine' in terms of value for money for the Council.

Mr O'Connor asked the committee whether they valued what community centres offered to the city or whether they viewed them as a burden. He acknowledged that there were challenges, however there needed to be a change in approach and called on members to reject the report's recommendations with regard to proposed changes to the terms and conditions. He implored the committee to match the ambitions of community centres and underlined that if they approved the recommendations, it would kill the enthusiasm of volunteers and centres would shut.

Mr O'Connor emphasised that community centres needed to be offered identical terms and conditions for longer term leases. He reiterated that community centres could not afford to pay for utility bills or rates. He added that the proposal that if a community centre was extended that ownership would be split between the Council and the community centre was completely unworkable. Mr O'Connor concluded that the Council needed to work with community centres and give them the opportunity to grow.

The Committee asked questions of Mr O'Connor and thanked him for his deputation.

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(B) The Committee received a deputation from Mr David Fryer of Old Torry Community Centre.

Mr Fryer emphasised that the matter was about investing in communities by providing community centres with the opportunity of securing longer term leases. He explained that Old Torry Community Centre was in the middle of its recovery strategy following the Covid-19 pandemic and the focus now needed to be on new development.

Mr Fryer advised that the Old Torry Community Centre building was 87 years old and although it was in good condition, it still needed some attention and with single wall construction and single glazing, in order to make the building habitable during the winter, the heating needed to be on all day every day which was obviously not sustainable.

Mr Fryer explained that they had requested a 30-year lease as many external organisations and funding bodies stipulated that community centres must have a minimum 20-year lease as a condition of funding, therefore a 30-year lease would be an enabler to secure funding and investment.

Mr Fryer underlined that they were willing to work with the Council, however there needed to be a slightly different outcome to what was being recommended in the report, and he called on the hand of friendship to enable community centres to continue to do what they do. He emphasised that the Council got a great deal from community centres and that volunteers made things work, however if the Council kept putting burdens on volunteers it would not work and they would not be able to help. He concluded by calling upon the Council to invest in the future and invest in communities.

The Convener thanked Mr Fryer for his deputation.

(C) The Committee had before it a report by the Chief Officer - Corporate Landlord which requested that the previously agreed 10 year term for the leased community centres be extended for the Inchgarth, Loirston Annexe and Old Torry Community Centres.

**The report recommended:-**

that the Committee -

- (a) approve the request from the Inchgarth Community Centre Management Association for a 25-year lease for the Inchgarth Community Centre;
- (b) approve the request from the Loirston Annexe Community Centre Management Association for a 25-year lease for the Loirston Annexe Community Centre;
- (c) approve the request from the Old Torry Community Centre Management Association for a 30-year lease for the Torry Community Centre; and
- (d) instruct the Chief Officer - Corporate Landlord to progress the lease with each of the above noted management associations for the requested term incorporating appropriate terms and conditions as shown in the Heads of Terms (Appendix 1) to protect the interests of the Council.

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

- (i) to approve recommendations (a), (b) and (c);
- (ii) to instruct the Chief Officer - Corporate Landlord to progress the lease with each of the above noted management committees on the same terms as all other community centre leases, other than the lease length noted above;
- (iii) to agree that, subject to the Council granting Landlord's Consent, the operating costs of any additional building on site or extensions will be dealt with in the same way as those of the original building; and
- (iv) to thank the deputations for their attendance and contributions.

**At this juncture, in accordance with Article 4 of this minute, Councillor Grant left the meeting prior to consideration of the following item of business and Councillor Graham joined the meeting as his substitute.**

### **EXTERNAL FUNDING - COM/22/111**

11. The Committee had before it a report by the Chief Officer - City Growth which sought approval of the allocation of Place Based Investment Programme Funding and Local Authority Covid Economic Recovery Funding; for the submission of an investment plan required to access UK Shared Prosperity Funding; and of the External Funding Plan.

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

that the Committee -

#### External Funding Plan

- (a) approve the funding plan attached at Appendix 1;

#### Place Based Investment Programme

- (b) note the funding of £847,000 awarded to Aberdeen City Council by the Scottish Government for the Place Based Investment Programme 22/23;
- (c) allocate up to £38,500 to Aberdeen City Council for the Hub Aberdeen project;
- (d) allocate up to £50,000 to Aberdeen City Council for the Quarry Centre Play Area project;
- (e) allocate up to £100,000 to Aberdeen City Council for The Street Design Project - Woodside Gateway;
- (f) award Castlegate Arts £75,000 for the 2022 Access improvements project;
- (g) award up to £69,400 to Donside Village Community SCIO for the Tillydrone Gateway feature Sculpture Trail project;
- (h) award up to £44,132 to Greyhope Bay for the Greyhope Bay Renewable Power project;
- (i) award up to £11,474 to The Scottish Women's Institute for the Hub Upgrades project;

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- (j) award up to £76,500 to The Kings Community foundation for the Bridge Centre, Torry project;
- (k) award up to £253,981 to Tillydrone Community Development trust SCIO for the Benholms Tower and Gateway project;
- (l) agree that any remaining funds from Place Based Investment Programme 22/23 be allocated to any other approved project which may require additional resources following consultation with the Convener and Vice Convener of the City Growth and Resources Committee;

### Local Authority Covid Economic Recovery Fund

- (m) note the funding of £2,865,000 awarded to Aberdeen City Council from the Scottish Government for the Local Authority Covid Economic Recovery Fund (LACER);
- (n) allocate up to £407,589 to Aberdeen City Council for the Hardship Support Programme;
- (o) award up to £20,000 to Aberdeen Foyer for the Cash First Project;
- (p) award up to £37,212 to Aberdeen Foyer for the Financial Inclusion Services project;
- (q) award up to £39,212 to Aberdeen Foyer to the Community Food hub project;
- (r) allocate up to £95,000 to Aberdeen City Council for the Creative Incubator Feasibility study project;
- (s) award up to £1,924,440 to Aberdeen Inspired for the Aberdeen Gift Card project;
- (t) award up to £76,147 to CFine for the Community Pantry project;
- (u) award up to £115,400 to ABERNecessities for the Brighter Future project;
- (v) award up to £150,000 to Gray's School of Art on behalf of Culture Aberdeen for the use of vacant city centre units for cultural activities project;

### UK Shared Prosperity Fund

- (w) note the indicative allocation of UK Shared Prosperity Funding of £7,156,832 to Aberdeen from the UK Government and instruct the Chief Officer - City Growth to submit the Investment Plan by 1 August 2022 following consultation with the Convener and Vice Convener of the City Growth and Resources Committee and the Co-Leaders of Aberdeen City Council; and

### Just Transition Fund

- (x) note the launch of the Just Transition Fund by the Scottish Government, committing £500m of financing for the North East and Moray over 10 years. Year one allocation of £20m is now open for expressions of interest, with further detail in the External Funding Plan at Appendix 1.

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

to approve the recommendations subject to amending recommendation (w) as follows:-  
 to note the indicative allocation of UK Shared Prosperity Funding of £7,156,832 to Aberdeen from the UK Government and instruct the Chief Officer - City Growth to submit the Investment Plan by 1 August 2022 following consultation with the Convener and Vice Convener of the City Growth and Resources Committee and

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the Co-Leaders of Aberdeen City Council, after which a service update be provided to committee members providing them with the submission.

### **ROADS AND TRANSPORT RELATED BUDGET PROGRAMME 2022-2023 - OPE/22/098**

12. The Committee had before it a report by the Chief Officer - Operations and Protective Services which outlined the proposed Roads and Transportation programme for the approved 2022/23 capital budgets.

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

that the Committee -

- (a) approve the schemes listed in the appendices as the detailed proposals for expenditure within each budget heading;
- (b) instruct the Chief Officer - Operations and Protective Services to implement the lighting scheme outlined in Appendix T of the report; and
- (c) instruct the Chief Officer - Operations and Protective Services, following consultation with the Head of Commercial and Procurement Services, to undertake or instruct appropriate procedures in accordance with the Council's procurement regulations to procure the works referred to in the exempt appendices for the roads capital budget programme for the financial year 2022/23 and award contracts relating thereto.

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

- (i) to approve the schemes listed in the appendices as the detailed proposals for expenditure within each budget heading subject to instructing the Chief Officer - Operations and Protective Services to:-
  - (a) remove the resurfacing schemes outlined in Appendix R at Stronsay Avenue/Northburn Avenue and Angusfield Avenue and move them to the reserve list;
  - (b) replace the above schemes with those previously displaced at Cults Avenue/Kingswells Drive and Holburn Street into this year's programme; and
  - (c) remove the resurfacing scheme outlined in Appendix R at Hazlehead Car Park and carry out minimal repairs to the existing surface up to a maximum value of £10,000;
- (ii) to instruct the Chief Officer - Operations and Protective Services to implement the lighting scheme outlined in Appendix T of the report; and
- (iii) to instruct the Chief Officer - Operations and Protective Services, following consultation with the Head of Commercial and Procurement Services, to undertake or instruct appropriate procedures in accordance with the Council's procurement regulations to procure the works referred to in the exempt appendices for the roads capital budget programme for the financial year 2022/23 and award contracts relating thereto.

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**PERFORMANCE MANAGEMENT FRAMEWORK REPORT - CITY GROWTH AND RESOURCES - CUS/22/102**

13. The Committee had before it a report by the Chief Officer - Data and Insights which presented the status of key performance measures relating to City Growth and Resources cluster activities.

**The report recommended:-**

that the Committee note the report and provide comments and observations on the performance information contained in the appendix.

**The Committee resolved:-**

to note the report.

**CLUSTER RISK REGISTERS AND ASSURANCE MAPS - COM/22/113**

14. The Committee had before it a report by the Director of Resources which presented the Cluster Risk Registers and Assurance Maps to provide assurance that risks were being managed effectively within each Cluster.

**The report recommended:-**

that the Committee note the Cluster Risk Register and Assurance Maps appended to the report.

**The Committee resolved:-**

to approve the recommendation.

**ABZ WORKS EMPLOYABILITY PLAN - COM/22/120**

15. The Committee had before it a report by the Chief Officer - City Growth which provided an update on activity undertaken and planned by the Council's ABZWorks employability team; sought approval to create a procurement framework for commissioning of employability services to 31 March 2026; and to grant awards of funding to public and third sector organisations delivering paid work experience as part of the Long Term Unemployed Scheme.

**The report recommended:-**

that the Committee -

- (a) note the changing employability landscape with the implementation of the Scottish Government's No One Left Behind (NOLB) strategy;
- (b) note the employability activity undertaken to date;
- (c) note the draft Aberdeen Local Employability Partnership Delivery and Action Plans;

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- (d) note that the total employability funding received across all Scottish Government programmes for this financial year was £2.6million;
- (e) instruct the Chief Officer - City Growth to develop a procurement framework and dynamic purchasing system for employability services and note that a report for this would go to the Strategic Commissioning Committee;
- (f) approve the issuing of grant awards to third and public sector organisations to reimburse the wages of those participating in paid work experience through the Long Term Unemployed Scheme; and
- (g) delegate authority to the Chief Officer - City Growth, in consultation with the Chief Officer - Finance and Head of Commercial and Procurement, to approve expenditure of grant funding in paragraph 3.14 for the employer recruitment incentive scheme.

**The Committee resolved:-**

to approve the recommendations.

### **BUS PARTNERSHIP FUND UPDATE - COM/22/097**

16. With reference to Article 10 of the minute of its meeting of 3 February 2022, the Committee had before it a report by the Chief Officer - Strategic Place Planning which provided a quarterly update on progress with the delivery of the Bus Partnership Fund (BPF) grant projects.

**The report recommended:-**

that the Committee -

- (a) note the progress of the delivery of the grant;
- (b) note that the BFP programme had been enabled through Scottish Government funding and that officers would continue to work with partners to deliver the projects in accordance with the grant conditions;
- (c) note that a full update on the City Centre Masterplan, along with recommendations regarding the Union Street Options Appraisal work would be reported to Full Council on 29 June 2022; and
- (d) agree that, given this update report did not require any decisions and that any substantive updates or decisions on projects within the BPF would be taken to the relevant Committee as their own report, this update would be taken as a service update to future City Growth and Resources Committees. This does not prevent any request for a committee report on the progress of BPF to be added to the Committee Planner when required.

**The Committee resolved:-**

to approve the recommendations.



**CITY GROWTH AND RESOURCES COMMITTEE**

21 June 2022

**BUS LANE ENFORCEMENT PROGRAMME UPDATE & FUTURE PLANNING 2022/23  
- COM/22/094**

17. The Committee had before it a report by the Chief Officer - Strategic Place Planning which provided an update on the status of the legacy Bus Lane Enforcement (BLE) programme and sought approval for a new programme of projects to be delivered from 2022/23 using the net surplus from the BLE system.

**The report recommended:-**

that the Committee -

- (a) note the progress on the projects funded from the BLE programme up to 2021/22, as detailed in Appendix 1;
- (b) approve the proposed expenditure in relation to the Proposed BLE Programme Projects 2022/23, as detailed in Appendix 2;
- (c) agree that the projects identified in Appendix 2 meet the requirements of The Bus Lane Contraventions (Charges, Adjudication and Enforcement) (Scotland) Regulations 2011 in that the sums paid by way of charges under these regulations were being used to facilitate the achievement of policies in the Local Transport Strategy;
- (d) approve the implementation of the Proposed BLE Programme of Projects 2022/23, including the instruction of procurement procedures as appropriate and as funding becomes available, delegate authority to the Chief Officer - Strategic Place Planning to carry out those procurements; and
- (e) agree that from the 2022/23 financial year onwards, any projects not funded by BLE by the end of the financial year would be removed from the provisional programme and be automatically re-scored and re-prioritised alongside new applications for the next financial year.

**The Committee resolved:-**

to approve the recommendations.

**JJR MACLEOD MEMORIAL STATUE - OPE/22/106**

18. The Committee had before it a report by the Chief Officer - Operations and Protective Services which provided the background to John James Rickard Macleod and the proposed memorial statue and recommended a preferred location to site the statue.

**The report recommended:-**

that the Committee -

- (a) approve the preferred location for the JJR Macleod memorial statue as Duthie Park; and
- (b) note that the full costs of designing, fabricating, and installing the statue would be met by the JJR Macleod Memorial Statue Society, and at no cost to the Council.

## CITY GROWTH AND RESOURCES COMMITTEE

21 June 2022

**The Committee resolved:-**

to approve the recommendations.

### **A96 MULTI-MODAL STUDY - COM/22/095**

**19.** The Committee had before it a report by the Chief Officer - Strategic Place Planning which advised of the outcome of the A96 Transport Corridor Study (part of the Bus Partnership Fund programme) and sought approval to further progress the project to more detailed appraisal and an Outline Business Case.

**The report recommended:-**

that the Committee -

- (a) agree that work to further develop the options outlined in paragraph 3.7 below be progressed to a more detailed appraisal and an Outline Business Case;
- (b) instruct the Chief Officer - Strategic Place Planning to develop the Outline Business Case in accordance with the Transport Scotland governance decisions on the gateways for the Bus Partnership Fund;
- (c) note that the Bus Partnership Fund programme had been enabled through Scottish Government funding and that officers would continue to work with partners to deliver the projects in accordance with the grant conditions; and
- (d) instruct the Chief Officer - Strategic Place Planning to report back to this Committee with the Outline Business Case and next steps by December 2023.

**The Committee resolved:-**

to approve the recommendations.

### **COMMEMORATIVE PLAQUES - COM/22/101**

**20.** The Committee had before it a report by the Chief Officer - City Growth which sought approval for the erection of two commemorative plaques.

**The report recommended:-**

that the Committee -

- (a) approve the erection of a plaque on the Powis Gateway acknowledging its history; and
- (b) approve the erection of a plaque at 22 Waverley Place commemorating Dr Laura Sandeman (1862-1929), a doctor, social welfare pioneer and politician who lived and worked in Aberdeen from 1903 until her death in 1929.

**The Committee resolved:-**

to approve the recommendations.

**CITY GROWTH AND RESOURCES COMMITTEE**

21 June 2022

**In accordance with Article 3 of this minute, the following items were considered with the press and public excluded.**

**PROPOSED DISPOSAL OF LANG STRACHT SITE - RES/22/108**

**21.** The Committee had before it a report by the Chief Officer - Corporate Landlord which advised of unsolicited offers for the Council owned former P&J site (16) located on the Lang Stracht.

**The report recommended:-**

that the Committee -

- (a) accept the recommendation as detailed in paragraph 3.7 of the 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.

**PROPOSED DISPOSAL OF 11/13 BELMONT STREET - RES/22/107**

**22.** The Committee had before it a report by the Chief Officer - Corporate Landlord which advised of an unsolicited offer to purchase the Council owned property at 11/13 Belmont Street, Aberdeen.

**The report recommended:-**

that the Committee -

- (a) accept the recommendation as detailed in paragraph 3.7 of the 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.

**PROPOSED RENUNCIATION OF BON ACCORD INDOOR BOWLING HALL LEASE - RES/22/122**

**23.** The Committee had before it a report by the Chief Officer - Corporate Landlord which advised of an opportunity to surrender the lease of the Bon Accord Indoor Bowling

## CITY GROWTH AND RESOURCES COMMITTEE

21 June 2022

centre to facilitate a lease of the facility to a third party who would become a tenant of the Bon Accord Shopping Centre with the intention to bring the property back into economic use.

**The report recommended:-**

that the Committee -

- (a) approve the renunciation of the lease of the Bon Accord Indoor Bowling centre; and
- (b) instruct the Chief Officer - Governance to conclude the appropriate legal work incorporating various qualifications as are necessary to protect the Council's interest, together with any other matters as are required to complete the lease renunciation.

**The Committee resolved:-**

to approve the recommendations.

### **PROPOSED DISPOSAL OF SITE 15 DENMORE ROAD, ABERDEEN AB23 8JW - RES/22/121**

24. The Committee had before it a report by the Chief Officer - Corporate Landlord which advised of the outcome of the closing date for the sale of the surplus site at 15 Denmore Road, Aberdeen.

**The report recommended:-**

that the Committee -

- (a) accept the recommendation as detailed in paragraph 3.7 of the 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.

### **EXTERNAL FUNDING - EXEMPT APPENDICES**

25. The Committee had before it exempt appendices relating to the External Funding report (Article 11 of this minute refers).

**The Committee resolved:-**

to note the information contained within the exempt appendices.

**CITY GROWTH AND RESOURCES COMMITTEE**

21 June 2022

**ROADS AND TRANSPORT RELATED BUDGET PROGRAMME 2022-2023 - EXEMPT APPENDICES**

26. The Committee had before it exempt appendices relating to the Roads and Transport Related Budget Programme 2022-2023 report. (Article 12 of this minute refers)

**The Committee resolved:-**

to note the information contained within the exempt appendices.

**ABZ WORKS EMPLOYABILITY PLAN - EXEMPT APPENDIX**

27. The Committee had before it an exempt appendix relating to the ABZ Works Employability Plan report. (Article 15 of this minute refers)

**The Committee resolved:-**

to note the information contained within the exempt appendix.

- **COUNCILLOR ALEX McLELLAN, Convener.**

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	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>03 August 2022 (Special)</b>						
4	Council Financial Performance, Quarter 1 2022/23	To present the Council's financial position for the quarter.		Lesley Fullerton	Finance	Resources	1.1		
5	Appointment of Members to Sub-Committees	The purpose of this report is to seek to re-establish the Business Rates Appeals Sub Committee and the Community Asset Transfer Review Sub Committee and thereafter determine compositions and make appointments to the sub committees under the Committee's remit.		Mark Masson	Governance	Commissioning	GD 8.7		
6			<b>21 September 2022</b>						
7	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.  Full 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		Andrew Jones	Corporate Landlord	Resources	4.1	<b>R</b>	A verbal update will be provided by the Director of Resources
8	Performance Management Framework Report – City Growth and Resources Functions	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	2.1.3		
9	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		

	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									
10	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		
11	Property Auction-alternative avenue of surplus asset disposal pilot project	To request committee approval to undertake a pilot project to take surplus assets to property auction for disposal.		Peter Thatcher	Corporate Landlord	Resources	4.1 & 4.4		
12	Fleet Replacement Programme	To present the current position of the programme for Fleet Vehicles and Assets		John Weir	Operations and Protective Services	Operations			
13	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.  The CG&R Committee on 3/2/22 agreed to defer this. Officers continue to liaise with Scottish Water, latest request for update was week commencing 10/1/22, however at this time officers are still in the same position as per the update in Column C	The CG&R Committee on 21/6/22 noted - The delay is to allow Officers time to consult with other Local Authorities to determine what, if any, mechanism they are using for passing on liabilities for maintenance of the above ground SuDS to developers/landowners. Deferred to the meeting in September 2022.	Claire Royce	Operations and Protective Services	Operations	3.2 & 3.3	D	The Legal and Developer Obligations teams have not had any responses from other Local Authorities and are still looking into ways of passing on maintenance liabilities for SuDS to developers/landowners. Until this has been determined we cannot recommend signing the Section 7 Agreement
14	A92 (S) Multi-Modal Transport Corridor Study	To inform members of the results of the initial STAG based option appraisal and to seek authority to proceed to the detailed STAG appraisal phase.		Tony Maric	Strategic Place Planning	Commissioning	2.2.1 & 2.2.2		
15	A947 Multi Modal Transport Corridor Study	To inform members of the results of the STAG based detailed appraisal and to seek authority to proceed to the detailed design and OBC stage. Also seeking authority to proceed with 'quick win' options identified in detailed appraisal report.		Tony Maric	Strategic Place Planning	Commissioning	2.2.1 & 2.2.2		
16			<b>02 November 2022</b>						



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2									
17	Council Financial Performance, Quarter 2 2022/23	To present the Council's financial position for the quarter.		Lesley Fullerton	Finance	Resources	1.1		
18	Climate Change Report 2021-22	To approve and sign the annual ACC Climate Change Report 2021-22, before submission of the report to the Scottish Government to meet statutory requirements.		Jenny Jindra	Strategic Place Planning	Commissioning	2.1.3 & 2.1.6		
19			<b>07 December 2022</b>						
20	Proposals for Investment for Works at Riverbank School to Accommodate the Relocation of St. Peter's School	<p>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.</p> <p>Council on 10 March 2021 agreed to note that also included within the General Fund Capital Programme is £500,000 for the relocation of St Peters RC School to the current Riverbank School site is added to the Capital Plan and instruct the Chief Officer - Corporate Landlord to take forward design development to allow the full business case and construction costs to be reported to the City Growth and Resources Committee in advance of the 2023 budget process.</p>	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		
21	Performance Management Framework Report – City Growth and Resources Functions	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	2.1.3		
22	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		
23	Bus Partnership Fund Grants	The CG&R Committee on 3 February 2022 agreed to instruct the Chief Officer - Strategic Place Planning, given the long term nature of the project, to bring back update reports on a quarterly basis.		Nicky Laird	Strategic Place Planning	Commissioning	3.2		

	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	A96 Multi-Modal Study	The CG&R Committee on 21/6/22 agreed to instruct the Chief Officer - Strategic Place Planning to report back to this Committee with the Outline Business Case and next steps by December 2023.		Ken Neil	Strategic Place Planning	Commissioning	3.2 & 3.3		
24	Aberdeen Hydrogen Hub - Site Selection	The CG&R Committee on 3/2/22 agreed to note in principle the proposed sites in Appendix E (together with the associated planning risks) for the solar park array and the hydrogen production and refuelling facility and instructs the Chief Officer City Growth, in consultation with the Chief Officer Corporate Landlord to provide an update on Site Selection and any associated commercial terms at the next meeting of this Committee	The CG&R Committee on 21/6/22 noted - The joint venture with BP has been established and the JV team are currently reviewing site options with a view to a proposal going the JV board for decision at some point in this financial year. Will likely be reported at the meeting in December 2022.	Richard Sweetnam/Jim Johnstone	Corporate Landlord / City Growth				
25									
26			<b>2023</b>						
27	Aberdeen Community Wealth Building	The CG&R Committee on 10/11/21 agreed to instruct the Chief Officer - City Growth to present to the February meeting of the committee details in respect of an Aberdeen Community Wealth Building approach to maximising local economic impact and an integrated approach by the Council to supporting businesses and the delivery of investment opportunities  The Committee on 3/2/22 agreed to defer this. At the city region level, stakeholders are discussing a refresh of the 2015 Regional Economic Strategy. In light of this work, and its focus	The CG&R Committee on 21/6/22 noted - The development of the CWB action plan requires further consultation both internally but also with the Scottish Government as it moves forward with its commitment to pass a CWB act during this parliament. Given this, the CWB action plan will be presented to committee by February 2023.	Jim Johnstone	City Growth	Commissioning	2.1.1 & 3.3		
28	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	The consultation for the draft Flood Risk Management Plans was completed in December 2021 and the final local FRMPs will be published in December 2022. The report will come to the first available committee in 2023, once the new committee structure has been set.	Claire Royce	Operations and Protective Services	Operations	3.2		

	A	B	C	D	E	F	G	H	I
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2									
29	Roads and Transport Related Budget Programme 2023 - 2024 (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 2023/2024. 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 2024/25 and 2025/26 are also included where possible.	To be submitted at the first CG&R meeting following the Council Budget Meeting in March 2023	Paul Davies	Operations and Protective Services	Operations	1.1, 2.1.1 & 2.2		
30	Building Performance Criteria - Energy Efficiency	The Council on 28/2/22 agreed to instruct the Chief Officer - Corporate Landlord within the context of available funding, to update the Council's Building Performance criteria to ensure that it is compliant with Scottish Government's voluntary Net Zero Public Buildings Standards for all new build or significant refurbishment projects and to seek funding opportunities to upgrade existing building stock, including all required feasibility assessments to allow the building assets to meet Energy Efficiency Standard for Social Housing (EESH2), or to reduce carbon usage within the portfolio and create pathways to Net Zero, and report back to the City Growth and Resources Committee on progress before March 2023;		Stephen Booth	Corporate Landlord				
31	Ellon Park & Ride to Garthdee Transport Corridor Study (Bus Partnership Fund)	The Committee on 3/2/22 agreed to instruct the Chief Officer - Strategic Place Planning to report back to this Committee with the Outline Business case and next steps by December 2023.		Kevin Pert	Strategic Place Planning	Commissioning	3.2 & 3.3		
32			<b>TO BE CONFIRMED</b>						
33	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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	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									
38	External Transportation Links to Aberdeen South Harbour	The CG&R Committee on 25/8/21 agreed that subject to approval by the UK and Scottish Governments, instruct the Chief Officer - Capital to progress the next stages of project delivery, including but not limited to, surveys and investigations, design development, obtaining all necessary approvals, permissions, licences, agreements and consents required to develop the design and an Outline Business Case for the project and to report back to this Committee and the City Region Deal Joint Committee upon completion in 2024, and to provide an update if not completed by that time.		John Wilson	Capital	Resources			
39	Energy Transition Zone Training and Jobs Plan	Full Council on 3/3/20 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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## City Growth and Resources Committee

3 August 2022

### NOTICE OF MOTION BY COUNCILLOR MACDONALD

“That Aberdeen City Council congratulates Aberdeen Mela-One World Day Event team on securing funding to hold a Mela event in Aberdeen this year, including £15,000 from the Council’s Common Good Fund. Melas are traditionally an Asian celebration of culture and community through music, dance, theatre, song and stories as well as food and fashion. As well as forging closer cultural understandings, there are also opportunities to promote stronger community, health and environmental benefits. The Aberdeen Mela will take place on Sunday 21st August 2022 from 12noon to 7pm at Westburn Park.”

Cllr Sandra Macdonald

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## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	City Growth and Resources (Special)
<b>DATE</b>	3 August 2022
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Appointment of Members to Sub-Committees
<b>REPORT NUMBER</b>	COM/22/148
<b>DIRECTOR</b>	Gale Beattie
<b>CHIEF OFFICER</b>	Fraser Bell
<b>REPORT AUTHOR</b>	Mark Masson
<b>TERMS OF REFERENCE</b>	GD 8.7

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek to re-establish the Business Rates Appeals Sub Committee and the Community Asset Transfer Review Sub Committee and thereafter determine compositions and make appointments to the sub committees under the Committee's remit.

### 2. RECOMMENDATIONS

That the Committee:-

- 2.1 agree to re-establish the Business Rates Appeals Sub Committee and Community Asset Transfer Review Sub Committee; and
- 2.2 agree the composition and appoint five members to each of the sub committees.

### 3. CURRENT SITUATION

- 3.1 Council at its Statutory Meeting on 18 May 2022 noted that the relevant committees would deal with the re-establishment of their sub committees.
- 3.2 The Committee is requested to set the membership of the following sub committees in accordance with Standing Order 47.10, noting that the previous number of elected members on both were five. It is worth noting that the sub committees were not required to meet during the last local government term, and for this reason, officers are recommending that the number of members on each remain at five.

<b>Sub Committee</b>	<b>Number of Council Representatives Previously Appointed</b>
Business Rates Appeals Sub Committee	5 (and 5 substitute members)
Community Asset Transfer Review Sub Committee	5 (1 per Political Group and 5 substitute members)

- 3.3 Council at its meeting on 18 May 2022, considered possible compositions for sub committees and working groups and the following was noted:-

<b>Number of Members</b>	<b>Composition</b>
5	2 SNP, 1 Liberal Democrat, 1 Labour and 1 Conservative

#### Business Rates Appeals Sub Committee

- 3.4 The remit of the Business Rates Appeals Sub Committee is to consider appeals against the rates claimed from appellants on the ground that the appellant is being improperly charged, (section 238 of the Local Government (Scotland) Act 1947 refers).

#### Community Asset Transfer Review Sub Committee

- 3.5 Part 3 of the Community Empowerment (Scotland) Act 2015 requires the Council to consider requests from communities for the transfer of land and buildings.
- 3.6 The remit of the Community Asset Transfer Review Sub Committee is to consider reviews by community bodies if the request is refused; if no decision is given within the time allowed; or if the community transfer body does not agree with conditions imposed.
- 3.7 The review of the Community Asset Transfer decision cannot be delegated to officers and cannot be carried out by Members who were responsible for determining the original application regarding the asset transfer request.
- 3.8 The Convener should be elected from amongst its membership.
- 3.9 Training will be provided to the nominated Members and substitutes prior to consideration of the first review.
- 3.10 The City Growth and Resources Committee on 25 April 2019 agreed to (1) re-establish the Community Asset Transfer Review Sub Committee; and (2) appoint five Members (1 per Group) and five substitute Members to the Sub Committee, where none of the substantive or substitute Members have been

involved in the decision-making in respect of any Community Asset Transfers considered by the City Growth and Resources Committee.

#### 4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

#### 5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations contained in this report.

5.2 Under Section 56 of the Local Government (Scotland) Act 1973, the Council may arrange for the discharge of any of its functions by a Committee or a Sub Committee. Any such committee may appoint one or more sub-committees

#### 6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

#### 7. RISK

7.1 The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	No significant risks identified against this category			
<b>Compliance</b>	If appointments are not made to certain sub-committees, Council will not be able to consider appeals as required by Council procedure or legislation, as appeals cannot be considered by the parent committee or by officers	Committee agrees the appointment of members to sub-committees	L	Y

<b>Operational</b>	No significant risks identified against this category			
<b>Financial</b>	No significant risks identified against this category			
<b>Reputational</b>	No significant risks identified against this category			
<b>Environment / Climate</b>	No significant risks identified against this category			

## 8. OUTCOMES

8.1 The proposals in this report have no impact on the Council Delivery Plan or Local Outcome Improvement Plan.

## 9. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Integrated Impact Assessment</b>	Full impact assessment not required.
<b>Data Protection Impact Assessment</b>	Not required.

## 10. BACKGROUND PAPERS

10.1 None

## 11. APPENDICES

11.1 None

## 12. REPORT AUTHOR CONTACT DETAILS

<b>Name</b>	Mark Masson
<b>Title</b>	Committee Officer
<b>Email Address</b>	mmasson@aberdeencity.gov.uk
<b>Tel</b>	01224 522989

## ABERDEEN CITY COUNCIL

<b>COMMITTEE</b>	City Growth and Resources
<b>DATE</b>	3 August 2022
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Council Financial Performance – Quarter 1, 2022/23
<b>REPORT NUMBER</b>	RES/22/152
<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 2022) and the full year forecast position for the financial year 2022/23, including:
- General Fund and Housing Revenue Account (HRA) and capital accounts; and associated Balance Sheet; and
  - Common Good revenue account and Balance Sheet
- 1.2 Report the outcome of the reprofiling of the Capital Programmes, as instructed by the Committee at it's meeting on 21 June 2022.

### 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, specifically the £2m reduction in cash balances due to investment volatility;
- 2.3 Note that the General Fund full year forecast position, as detailed in Appendix 2, is expected to show a balanced position overall for 2022/23, based on the assumption that the Scottish Government will fund any increase to the current pay offer made by Cosla and through the other mitigations contained within the report, including the use of one-off funding streams;
- 2.4 Note the initial information provided in the report about the fire at Altens East Waste and Recycling Centre and instruct the Chief Officer – Operations and Protective Services to report back to the next meeting of the Committee with details of the contractual, financial, and operational implications, including assurance about how the council has mitigated financial exposure;

- 2.5 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 2022/23;
- 2.6 Note that the Council relies on the Integration Joint Board (IJB) achieving a balanced budget, and that it retains reserves in the event of unplanned additional costs arising during the year;
- 2.7 Note that the forecast for General Fund capital expenditure is that there will be lower spend than had been budgeted in 2022/23, and for Housing, capital expenditure will be in line with 11% slippage on the programme, as described in Appendix 2;
- 2.8 Note that officers have completed the work required to reprofile the capital programmes, following instruction by the Committee on 21 June 2022 (Appendix 5), and that this has led to the following recommendations:-
- 2.8.1 Note that almost all capital projects can be paused, delayed or ultimately cancelled though there would be implications related to such decisions;
- 2.8.2 Note that for reprofiling purposes there are projects/programmes within the approved Capital Programmes which have been excluded;
- 2.8.3 Note the legal status of the contracts involved in delivery of the projects as this to an extent dictates the level of flexibility that the Council has in terms of reprofiling, pausing or cancelling projects;
- 2.8.4 Notes the General Fund Capital funded projects/programmes recommended for reprofiling are shown in Appendix 5 – Table 1, which shows the current budget profile;
- 2.8.5 Instruct the Chief Officer – Finance to remove the Early Learning & Childcare - St Josephs and Garthdee Link Road projects from the General Fund Capital Programme;
- 2.8.6 Approves the reprofiled General Fund Capital funded projects/programmes as shown in Appendix 5 – Table 2. Noting the use of the existing contingency in the programme;
- 2.8.7 In light of the best value consideration referred to in the report, instruct the Chief Officer – Capital to retender the 3-stream Tillydrone Primary School project, and report back to the next appropriate City Growth and Resources Committee;
- 2.8.8 In light of the best value consideration referred to in the report, instruct Chief Officer – Capital to pause the four Housing Capital Council-led new build projects as recommended in Appendix 5, to evaluate the actions to be taken, assess best value and where appropriate retender work packages. The outcome of this exercise will be reported to the next appropriate meeting of City Growth and Resource Committee;



- 2.8.9 Approve the inclusion of additional budgets to the Housing Capital Programme for improvements to void properties, in support of displaced Ukrainians, subject to funding being confirmed by the Scottish Government.

### **3. CURRENT SITUATION**

- 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 2022/23 on 7 March 2022 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 30 June 2022 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 recovery from the Covid-19 pandemic continues to impact the financial position, and the need to address ongoing cost pressures remains a feature of the Quarter 1 position and forecasts.
- 3.4 Further financial risks from the war in the Ukraine resulting in supply chain volatility, and rising inflation, to levels not seen for four decades, are now also affecting the Council, and where these are known they have been taken into account in the financial forecasts.
- 3.5 The appendices show that the IJB is forecasting a balanced position as at Quarter 1. The Board continue to rely on some Covid-19 related costs being met by Scottish Government however retain reserves to use to support operations as the impact of the pandemic changes. The Council continues to rely on the financial position of the IJB to mitigate any exposure the Council has to additional funding.
- 3.6 The Council retains a contingency budget to address unexpected and unplanned expenditure, as well as costs that 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, and these are included in Appendix 1.
- 3.7 As referenced above, a balanced position is currently forecast based on this latest data, and this will be achieved by the use of earmarked reserves held on the Council Balance Sheet and utilising the financial flexibility offered by Scottish Government to defer payment of the loans fund instalment for 2022/23.
- 3.8 While the earmarked reserves provide part of the solution at this time, these are finite and if the situation changes then further consideration would have to be made.

- 3.9 Changes that could benefit the Council in the short to medium term continue to be discussed at a national level. The Council has budgeted to make use of those that have been put in place (i.e. the loans fund repayment deferral) but the impact on the Council finances in relation to the Service Concession flexibilities (i.e. changes proposed in accounting treatment for the Public & private Partnership contracts) has yet to be calculated, with guidance only recently being issued. Consultation on the terms of reference for a review of Capital Accounting is currently taking place. I have not assumed the use of this fiscal flexibility in forecasting the outturn for 2022/23.
- 3.10 Turning to the General Fund Capital Programme, all capital works were affected by the lockdown restrictions. Budgets were reprofiled when the budget was set on 7 March 2022 and substantial progress is being made on key sites. Spending is expected to be less than had been profiled but consideration will have to be given to the rising costs in some areas of the programme, as detailed in Appendix 2. A report on the impact of the supply chain volatility and inflation on the Capital Programmes and potential reprofiling options is included as Appendix 5.
- 3.11 The Capital Programme spend being lower than budget, primarily due to the timing of expenditure, will reduce the requirement for borrowing during this financial year and will defer the revenue cost until future years. Project progress is monitored through the Capital Programme Committee.
- 3.12 The Housing Revenue Account is forecasting to be on budget and the associated Housing Capital Programme is currently expected to be on budget, anticipating an 11% slippage included in the programme for the year.
- 3.13 The Common Good is expected to be on budget. The investment of cash balances in a Multi-asset Income Fund has been put in place with Fidelity as the fund manager since last year. This continues to deliver the level of income the Common Good was expecting, however the value of the underlying investment has continued to fall, and at the end of Quarter 1, this amounted to a further £2m since March 2022. The investment remains a long-term financial instrument and performance should be measured over a period of 3 to 5 years rather than a single year.
- 3.14 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 2022 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 2022 is positive as the profile of income from Scottish Government supports expenditure levels.

The Balance Sheet figures at 30 June 2022 show an 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 2022 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 be on budget, making use of the one-off funding streams approved in the budget, such as earmarked reserves and using fiscal flexibility put in place by Scottish Government. 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 expenditure 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 2022 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 2022/23 and in the absence of the latest data 2021/22 information has been provided where appropriate.

#### 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:

<b>Revenue</b>	<b>2022/23 Budget £'000</b>	<b>2022/23 Forecast (Surplus) / Deficit exc. Group £'000</b>	<b>Variance (Under) / Over Budget £'000</b>
General Fund	0	0	0
HRA	(500)	(500)	0
Common Good	(319)	(319)	0

- 4.2 The capital position can be summarised as follows:

<b>Capital</b>	<b>2022/23 Budget £'000</b>	<b>2022/23 Forecast Expenditure £'000</b>	<b>Variance (Under) / Over Budget £'000</b>
General Fund	262,539	219,500	(43,039)
HRA	182,473	182,473	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 2022/23 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 2022 £'000</b>	<b>Balance at 30 June 2022 £'000</b>	<b>Movement £'000</b>
General Fund	(72,152)	(161,807)	(89,655)
HRA	(15,215)	(15,215)	0
Statutory & Other	(20,859)	(20,966)	(107)
<b>Total</b>	<b>(108,226)</b>	<b>(197,988)</b>	<b>(89,762)</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. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

## 7. RISK

7.1 The risks detailed within Appendix 2 are reflected across the Council's risk registers and are managed in accordance with the Council's risk management arrangements. The risks are mitigated and managed by the establishment of control actions in addition to existing control measures and activities to achieve a risk score that is consistent with the Council's risk appetite.

7.2 The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

<b>Category</b>	<b>Risks</b>	<b>Primary Controls/Control Actions to achieve Target Risk Level</b>	<b>*Target Risk Level (L, M or H)</b>  <small>*taking into account controls/control actions</small>	<b>*Does Target Risk Level Match Appetite Set?</b>
<b>Strategic Risk</b>	Failure to manage Council finance and resources could lead to	Robust financial reporting and monitoring activities, combined with a rigorous financial planning process as	M	Yes

	failure to achieve strategic objectives.	part of the commissioning cycle prepare the Council for the years ahead. Financial resilience to address financial pressures arising in-year is maintained and monitored.		
<b>Compliance</b>	There is the risk that the accounts do not comply with legal and accounting legislation.	Annual external audits are undertaken to review the financial transactions and controls. Ongoing internal audits also review specific financial and service data.	L	Yes
<b>Operational</b>	There is the risk that there may be an IT system failure.	Daily backups taken and held offsite for security purposes. Constant review and update of security systems for IT.	M	Yes
<b>Financial</b>	The main financial risk the Council is managing is the supply chain and inflation impact on costs.  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.	Reviewing all areas of expenditure with a view to only incurring essential expenditure. Forecasts have taken account of known implications Regular reporting and action taken where appropriate.  Quantification and review of indicative projects costs by suitable qualified staff or external body, where appropriate.  Review of capital programme and options for reprofiling is included at Appendix 5.	M  M	Yes  Yes

	The risk that workforce management options are not affordable in the future, such as the cost of the VS/ER scheme described in Appendix 2 (page 5).	Current permission from Scottish Government to use capital receipts for voluntary severance / early retirement revenue costs ends on 31 March 2023. Unless extended, alternative revenue funding would have to be found or changes made to the scheme.	H	Yes
<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.	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.	M	Yes
<b>Environment / Climate</b>	None identified			

## 8. OUTCOMES

<u><a href="#">COUNCIL DELIVERY PLAN</a></u>	
	Impact of Report
<b>Aberdeen City Council Policy Statement</b>	The proposals in this report have no impact on the Council Delivery Plan
<u><a href="#">Aberdeen City Local Outcome Improvement Plan</a></u>	

Prosperous Economy Stretch Outcomes	The proposals in the report have no impact on the Local Outcome Improvement Plan
Prosperous People Stretch Outcomes	The proposals in the report have no impact on the Local Outcome Improvement Plan
Prosperous Place Stretch Outcomes	The proposals in the report have no impact on the Local Outcome Improvement Plan
<b>Regional and City Strategies</b>	The proposals in this report have no impact on Regional and City Strategies

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Integrated Impact Assessment</b>	Full impact assessment not required
<b>Data Protection Impact Assessment</b>	not required
<b>Other</b>	not required

## 10. BACKGROUND PAPERS

None

## 11. APPENDICES

Appendix 1 – Financial Statement for the period ending 30 June 2022

Appendix 2 – Forecast Financial Position for the year 2022/23

Appendix 3 – Common Good Financial Statement for the period ending 30 June 2022

Appendix 4 – Group Entities Forecast Financial Position for the year 2022/23

Appendix 5 – Reprofitting of Capital Programmes

## 12. REPORT AUTHOR CONTACT DETAILS

<b>Name</b>	Jonathan Belford
<b>Title</b>	Chief Officer - Finance
<b>Email Address</b>	jbelford@aberdeencity.gov.uk

<b>Name</b>	Lesley Fullerton
<b>Title</b>	Finance Operations Manager
<b>Email Address</b>	lfullerton@aberdeencity.gov.uk
<b>Tel</b>	01224 346402

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**FINANCIAL STATEMENT  
FOR THE PERIOD ENDING  
30 JUNE 2022**

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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 3-month period to 30 June 2022.

Combined with Appendix 2, it also provides an insight into the expected financial performance for the remainder of the financial year 2022/23, 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 2022 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 Council's 2021-22 Annual Accounts are currently undergoing audit by KPMG LLP, independent external auditor. The outturn position achieved as at 31 March 2022 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 2022/23 and tackle the financial pressures that it faces.

As at 1 April 2022 the Council held Usable Reserves of £108.2 million and had a Net Asset Value of £1.4 billion.

The Council set its 2022/23 budgets on 7 March 2022, approving for the General Fund a range of budget savings options to set a balanced budget for the year. This included a Council Tax increase of 3%. The Council also agreed to use a proportion of the earmarked reserves to maintain services and fund priorities.

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 2022.

Proposals to make use of Scottish Government approved fiscal flexibilities to manage the cost of capital financing costs were included in the budget – a one-off funding solution for 2022/23. 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 higher school rolls and out of authority placements were also incorporated.

Since the budget was approved there have continued to be changes to the financial environment. The impact of Covid-19 continues to be felt by the Council, both in supporting our citizens and our city, and in terms of the impact on Council finances. The rising cost of energy will affect almost all of the Council's services during 2022/23 and the influence of increasing inflation will affect the cost of goods and services to the Council.

The Housing Revenue Account budget was approved and as agreed at the Council meeting on 10 March 2021 there was a two year rent freeze, with no increase to rents charges for 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 2022, the Council set its General Fund and Housing Revenue Account (HRA) revenue and capital budgets for the financial year 2022/23. 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 2022 presented in the format of our Annual Accounts on pages 6 to 13.

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 27% against the full year budget, the function's net expenditure for the year is above budget mainly as a result of not yet receiving the specific Early Learning and Childcare expansion grant. While, encouragingly the majority of services are on target or under budget there are a number of significant areas that are over budget, such as Out of Authority Placements, which is being offset in part by lower spend on Fostering, and Fleet Management.

#### 2. Customer

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

#### 3. Commissioning

At 28% against the full year budget, the function's net expenditure for the year is above budget. This relates to project funding yet to be received and the allocation of savings to services not yet having been achieved due to pressure on contracts from inflation and prices increase, risk of these savings not being met are highlighted in Appendix 2 regarding the full year.

#### 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 are usually undertaken later in the year. Corporate energy and utility costs have immediately emerged in quarter 1.

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

The function's net expenditure is 13% against the full year budget. This relates to the carry forward of income from 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.

Contingencies are critical to the effective and resilient operation of the Council, risks over the next nine months that might arise include weather events such as storms, flooding and snow;

pay negotiations are not yet settled for 2022/23; the impact of inflation may be greater than forecast; the crystallisation of contingent liabilities.

## 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 19% 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 throughout the year. The Scottish Government will top up any shortfall at the end of the financial year, through a net payment received as an adjustment to the Council's General Revenue Grant.

As at quarter 1 income from Council Tax is forecast to be £1m above budget for the full year based on the income levels achieved last year and the expectation of a number of new properties being added to the valuation roll. Income is currently sitting at 41% of budget.

Income from Scottish Government is above budget, which is due to the profiling of Grant and NDR across the year. The Scottish Government front load General Revenue Grant payments, before adjusting for NDR income estimates. Further adjustments will be made following any redeterminations advised by the Scottish Government.

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 individual leases. The level of collection for 2022/23, and therefore provision for bad debt, in the current market conditions, is under review. This is exacerbated by the energy and supply costs for commercial facilities, including the TECA energy centre and anaerobic digestion plant.

Income from car parking has not returned to pre Covid-19 levels, however it is hoped that this will improve for 2022/23 with all restrictions having been removed. This continues to be monitored on an ongoing basis.

## **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, which is billed in arrears. The loss of income arising from voids continue to be a pressure, depriving the account of income, improvement plans are in place to address the availability of void properties. The rented housing market in Aberdeen remains competitive, offering more choice to prospective tenants. Tenant arrears remain a concern too, with the aged debt analysis showing that tenants are taking longer to pay their debts.

## **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 2022/23.

Following a further year of restrictions early in the year caused by the Covid-19 pandemic, there were continued pressures over many areas of the Council's finances. The year ended positively with the easing of almost all restrictions and the Council recording a small operational surplus, and carrying a level of grant funding, directly related to the Covid-19 pandemic, into the new financial year.

The Council agreed in its budget for 2022/23 to use some of that grant funding, £5m, to support Council Services, the service standards and commissioning intentions in place. This was in addition to taking advantage of fiscal flexibilities agreed with Scottish Government to reduce capital financing costs on a one-off basis.

The impact of the pandemic continues to have a lasting effect on the Council and this means 2022/23 will be uncertain, particularly in relation to income levels.

It is likely that the areas of income such as car parking, Council Tax, planning and building fees which were impacted by the pandemic will continue to make a recovery in 2022/23. This appears less certain for commercial property income.

The Council at the end of Quarter 1 has cash to support it through a large part of the year, with grant funding being front-loaded, however with one-off funding streams being approved as part of the budget for 2022/23 the Council will rely on its own resources in the final quarter.

Emerging risks, not seen on the same scale for decades are rising inflation levels and supply chain volatility, in the first quarter there is evidence of this having a real impact, such as utility cost increases, forecasts for the year include for no improvement over the 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 to support higher school rolls.

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 2022.

## 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 2022 brought forward</b>	<b>(72,152)</b>	<b>(15,215)</b>	<b>(20,047)</b>	<b>(812)</b>	<b>(108,227)</b>	<b>(1,326,312)</b>	<b>(1,434,539)</b>
<b>Movement in Reserves during 2022/23</b>							
Total Comprehensive Income & Expenditure	(107,237)	(8,573)	0	0	<b>(115,810)</b>	0	<b>(115,810)</b>
Adjustments between accounting basis & funding basis under regulations	16,050	4,263	0	0	<b>20,312</b>	(20,312)	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Reserves</b>	<b>(91,187)</b>	<b>(4,311)</b>	<b>0</b>	<b>0</b>	<b>(95,498)</b>	<b>(20,312)</b>	<b>(115,810)</b>
Transfers to/from Earmarked Reserves	476	0	(476)	0	<b>0</b>	0	<b>0</b>
<b>(Increase)/Decrease in Year</b>	<b>(90,711)</b>	<b>(4,311)</b>	<b>(476)</b>	<b>0</b>	<b>(95,498)</b>	<b>(20,312)</b>	<b>(115,810)</b>
<b>Balance at 30 June 2022</b>	<b>(162,863)</b>	<b>(19,526)</b>	<b>(20,523)</b>	<b>(812)</b>	<b>(203,725)</b>	<b>(1,346,624)</b>	<b>(1,550,349)</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.*

Quarter 1 2022/23				
Services	Net Expenditure chargeable to General Fund & Housing Revenue Account	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000	Notes
	£'000	£'000	£'000	
Operations	74,039	(12,844)	61,195	1
Customer	9,703	0	9,703	2
Commissioning	6,402	0	6,402	3
Resources	(3,810)	0	(3,810)	4
Integration Joint Board	15,293	0	15,293	5
Corporate	(20,875)	(337)	(21,212)	6
<b>Net Cost of General Fund Services</b>	<b>80,753</b>	<b>(13,181)</b>	<b>67,571</b>	
Housing Revenue Account	(4,311)	(3,170)	(7,481)	7
<b>Net Cost of Services</b>	<b>76,442</b>	<b>(16,351)</b>	<b>60,091</b>	
Other Income and Expenditure	(171,939)	(3,962)	(175,901)	8
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(95,498)</b>	<b>(20,312)</b>	<b>(115,810)</b>	
Opening General Fund and HRA Balance at 31 March 2022	(87,367)			
(Surplus) or Deficit on General Fund and HRA Balance in Year	(95,498)			
To/From Other Statutory Reserves	476			
<b>Closing General Fund and HRA Balance at 30 June 2022</b>	<b>(182,389)</b>			

## Notes

- See page 3 for information relating to Net Expenditure chargeable to the General Fund. The £12.844m 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.
- 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.
- See page 3 for information relating to Net Expenditure chargeable to the General Fund. The £0.337m accounting adjustment relates to CFCR.
- See page 3 for information relating to Net Expenditure chargeable to the Housing Revenue Account. The £3.170m accounting adjustment relates to CFCR.



8. See page 4 for information relating to Net Expenditure chargeable to the General Fund. The £3.962m adjustment comprises the following three elements, which realign costs from other parts of the budget:

£8.317m 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.

(£0.498)m that is the allocation of the Marischal Square finance lease payment.

(£11.781)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, 2022/23			Notes
	Gross Expenditure	Gross Income	Net Expenditure	
	£'000	£'000	£'000	
Operations	74,372	(13,177)	61,195	
Customer	22,119	(12,416)	9,703	
Commissioning	9,027	(2,625)	6,402	
Resources	12,418	(16,228)	(3,810)	
Integration Joint Board	32,705	(17,412)	15,293	
Corporate	(20,580)	(632)	(21,212)	
<b>Cost of General Fund Services</b>	<b>130,062</b>	<b>(62,491)</b>	<b>67,571</b>	
Housing Revenue Account	18,498	(25,978)	(7,481)	
<b>Cost of Services</b>	<b>148,560</b>	<b>(88,469)</b>	<b>60,091</b>	
Other Operating Expenditure	0	0	0	1
Financing and Investment Income and Expenditure	55,125	(13,365)	41,760	2
Taxation and Non Specific Grant Income	0	(217,661)	(217,661)	3
<b>(Surplus) or Deficit on Provision of Services</b>	<b>203,685</b>	<b>(319,495)</b>	<b>(115,810)</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>(115,810)</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.

The values as at 31 March 2022 are based on the Council's unaudited Annual Accounts 2021/22. The audit of the 2021/22 Annual Accounts has not yet been finalised.

31 March 2022 £'000		30 June 2022 £'000	Note
2,492,551	Property, Plant & Equipment	2,548,422	1
196,272	Heritage Assets	196,272	1
217,712	Investment Property	217,712	1
15,503	Long Term Investments	15,503	2
657	Long Term Debtors	779	3
<b>2,922,695</b>	<b>Long Term Assets</b>	<b>2,978,688</b>	
102,593	Cash and Cash Equivalents	94,585	4
20,025	Short Term Investments	6,116	5
113,029	Short Term Debtors	67,832	6
2,906	Inventories	2,946	7
11,993	Assets Held for Sale	11,993	8
<b>250,547</b>	<b>Current Assets</b>	<b>183,472</b>	
(223,359)	Short Term Borrowing	(181,218)	9
(122,608)	Short Term Creditors	(50,871)	10
(3,533)	Short Term Provisions	(3,400)	11
(4,527)	PPP Short Term Liabilities	(5,332)	12
(7,224)	Accumulated Absences Account	(7,224)	13
(1,438)	Grants Receipts in Advance - Revenue	(77)	14
(31,257)	Grants Receipts in Advance - Capital	(26,732)	14
<b>(393,947)</b>	<b>Current Liabilities</b>	<b>(274,855)</b>	
(1,043,105)	Long Term Borrowing	(1,042,568)	15
(56,643)	Finance Lease	(56,107)	16
0	Long Term Creditors	0	17
(551)	Long Term Provisions	(551)	11
(126,038)	PPP Long Term Liabilities	(120,706)	12
(118,419)	Pension Liabilities	(118,419)	18
<b>(1,344,756)</b>	<b>Long Term Liabilities</b>	<b>(1,338,351)</b>	
<b>1,434,539</b>	<b>Net Assets</b>	<b>1,548,953</b>	
	Usable Reserves:		
(72,152)	General Fund Balance	(162,863)	19
(15,215)	Housing Revenue Account	(19,526)	19
(20,047)	Statutory and Other Reserves	(20,523)	19
(812)	Capital Grants and Receipts Unapplied	(812)	
(1,326,312)	Unusable Reserves	(1,346,625)	20
<b>(1,434,539)</b>	<b>Total Reserves</b>	<b>(1,550,349)</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 £55.871m has been applied to Property, Plant & Equipment (this includes £37.901m of general fund expenditure and £17.970m of HRA expenditure). Disposals, revaluations and transfers have not been accounted for in Quarter 3.
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 £78.984m (because they can be called up at short notice i.e. 0 to 35 days) and developer's contributions of £24.642m. 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 2022. 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 2023.
13. The accumulated absences account is reviewed annually and will therefore be updated in Quarter 4.
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 2023.
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 4.
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 2022/23</b>
	<b>£'000</b>
Net Surplus or (Deficit) on the provision of services	115,810
Adjust net surplus or deficit on the provision of services for non cash movements	(6,834)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(11,781)
Net cash flows from Operating Activities	97,195
Net cash flows from Investing Activities	(57,998)
Net cash flows from Financing Activities	(47,205)
Net increase or decrease in cash and cash equivalents	(8,008)
Cash and cash equivalents at the beginning of the reporting period	102,593
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>94,585</b>
Cash held by the Authority	39
Bank current accounts	94,546
	<b>94,585</b>

## **Contingent Liabilities**

In addition to amounts recognised on the Balance Sheet, the Council is aware of the following contingent liabilities at 30 June 2022:

### **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.

#### **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 fire at Altens East Recycling and Resource Facility on 8 July 2022 has resulted in business continuity plans being implemented and changes made to the processing of some waste streams. There have therefore been a wide range of the implications arising from the events. It is not yet known what the financial implications are and the Council continues to work closely with the Contractor and representatives to determine the full extent of those implications.

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 2022/23 and will run for 20 years.

### **Landfill Allowance Scheme (LAS)**

The Scottish Government had previously introduced a scheme under which Local Authorities were to be penalised for exceeding landfill tonnage targets. The Landfill Allowance Scheme in Scotland is currently suspended, and it is expected that the Waste (Scotland) Regulations 2012 will take over the requirement for the control of landfilling biodegradable municipal waste. However, until such a repeal is formalised there remains a potential liability on the Council.

### **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 to 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 in order to “cashflow” a legally committed project. Costs could apply to the short, medium or long-term depending on the circumstances.

The Council’s Risk Board agreed that the Developer Obligations working group would escalate to Corporate Management Team any developers who fall behind on payments, and where necessary this will be reported to City Growth & Resources Committee. This is a risk which may crystalize in the current housing market conditions due to high supply costs and reduced supply of labour.

The inherent risk with all developer obligation funded projects is whether the build rate of the development is triggering financial contributions at the rate required to fund the Council projects involved. Where the Council project advances more quickly than the development, the Council may have to step in to “cashflow” the necessary funding requirement. Where a project has not been legally committed, a failure to receive the supporting developer obligation funding may require a discussion to determine whether the project should be paused, or even stopped completely. More detailed



monitoring is therefore required by the Planning service to forecast expected build rates on developments and map out the timelines of expected trigger points for release of funding.

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

The emergence of Covid 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 also restricted numbers of staff on site which slowed 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 on-going to determine liability for additional costs.

The Council are also aware that the construction industry is experiencing shortage of products, raw materials, staffing and logistical support which is impacting on current and future costs across the UK. Ordering lead times are extending across the sector with the risk of increased delay impacts to projects. There is evidence of a contraction in the construction industry particularly in terms of small to medium sized suppliers. The war in Ukraine and resulting economic sanctions placed on Russia and Belarus has further exacerbated supply chain issues for some commodities e.g. bituminous materials, steel etc. which were sourced from eastern Europe.

Taken altogether, this has manifested as the highest level of cost inflation experienced for around 30 years. This is creating new risks around capital projects. A review of project timeline delivery and financial viability was instructed by the City Growth and Resources committee at its meeting of 21 June 2022 and is reported at Appendix 5.

### **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.

A proof in the Court action has been fixed to take place in the Court of Session from 26 July 2022 for 6 weeks. Any financial liability remain uncertain.

### **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. Local Authorities, as a Local Government sector, will pay financial contributions towards the redress scheme and this has now been agreed as part of the Local Government Settlement and will be applied for the next 10 years.

Some Civil Litigation claims are still being received by the Council, both as lead authority for the former Grampian Regional Council and Aberdeen District Council as well as claims solely against Aberdeen City Council.

Any uninsured claims or associated costs against Grampian Regional Council will require to be met in part by Aberdeenshire and Moray Councils. Any uninsured claims or associated costs in respect of Aberdeen District Council or Aberdeen City Council will require to be met by Aberdeen City Council. The costs of these are unquantifiable at this time, but will give rise to a future financial liability.

### **Structural Safety (RAAC)**

As a result of the Standing Committee on Structural Safety (SCPSS) releasing an alert in connection with Reinforced Autoclaved Aerated Concrete (RAAC) Planks, which were commonly used in public buildings in the 1960's, 1970's and 1980's, the Council has put in place a programme of inspections to give some assurance over whether these materials are present within any of their properties. At this time, it is not known the extent of the issue (if any) or any remedial costs. This may create a future financial liability.

### **COVID-19 Impact**

Almost all restrictions that were in place for the Covid-19 pandemic have now been lifted, the virus continues to circulate, with new variants emerging, The Council prepared it's 2022/23 budget to include known Covid-19 related implications, however there remains the possibility that further costs may arise that were not previously identified.



**PROJECTED FINANCIAL POSITION  
FOR THE YEAR 2022/23**

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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 2022. The full year budgets reflected in the table below differ from those set by Council in March 2022 for a number of reasons. This is normal practice during the year as variations are identified and budget responsibilities change. In common with previous years there are pressures on the organisation that emerge during the year and this year the Council continues to be impacted by changes, response and recovery arising from the Covid-19 pandemic. As reported to the Committee in June 2022, supply chain volatility [RES/22/131] is significant at present and expected to continue and inflation is at a level not seen for decades and these are further factors that are having a major impact on our financial position.

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 2022. The forecast for the year is built on the information that was available at this time.

The General Fund, Housing Revenue Account and Common Good are all forecast to deliver in line with budgets set for 2022/23.

### General Fund

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

The rising cost in gas and electric will affect all Council services to some degree. This is forecast to be £5.3m more than had been budgeted, before being offset in part by the centrally held inflation contingency. (Operations £3.265m, Customer £0.451m, Commissioning £0.161m and Resources £1.430m). These forecasts are included in the table below.

Beyond the quarter end, the Council's Waste and Recycling Facility at Altens East, operated by Suez, suffered a severe fire on 8 July 2022. The forecasts contained in this report were supplied before this event had occurred. The fire has implications for the Council balance sheet in respect of the impairment of asset value, and I am assured that insurance is in place to address the damage that has been done and reinstatement of the facilities. Insurance excess means cover is provided above £250,000, the excess will be funded by the Insurance Fund in the first instance.

There are also implications operationally and while arrangements have been made to continue services, further work must be done to fully understand the implications and changes that need to will need to be implemented while facilities are reinstated. At this time, it is too early in the process to assess how this will affect the costs and income of the waste service. An update will be provided in the Quarter 2 Financial Report due to be presented to the Committee on 2 November 2022.

Based on the forecasts for the year key highlights are as follow.

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 & 2021/22 which indicates the service is returning to normal following the Covid-19 restrictions.

- Car Parking income was severely affected by the pandemic, and whilst it is now recovering there is a risk that it will not achieve the budgeted income.
- For Education the service is managing a substantial increase in children who have arrived in the city. This has been unexpected and is driven by two factors, the post-Covid increase of students from other countries to the two Universities, who are bringing their families with them. It is expected to continue through the forthcoming and future admission cycles. Secondly the number of children (and families) in the city seeking refuge from Ukraine.
- Also within Education there are increased costs of the 3R's unitary charge due to the inflationary uplift that will apply and there is a risk that long term absence spend will continue at 2021/22 levels creating higher than budgeted spending in 2022/23, however this is being closely monitored.
- In Education there are a relatively small number of teaching vacancies that are mainly in secondary schools in subjects which continue to be hard to recruit to, or in demand, for example: Design Technology, Maths, English and some Sciences.
- There is a risk that Early Years will not achieve the budgeted income from Cross Boundary Charging as the difference in the number of children between local authority areas is not as significant as anticipated. This will become clearer in Quarter 2.

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.

3. The main areas of pressure within Commissioning are:

- Governance is expecting an under recovery of licencing income.
- Commercial services will be monitored, now that Covid restrictions have been removed it is anticipated a return to pre-pandemic levels of business could be achieved.
- There is a risk that procurement budget savings will not be allocated across services as the savings may not be achieved due to the market position for most goods and services.

4. The main area of pressure within Resources is:

- 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 includes the additional costs of energy for corporate facilities and also the Energy Centre and AD Plant at The Events Complex Aberdeen, and related contracts.

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 supplier sustainability.
- There is a risk that there will be higher than anticipated spend on direct payments to clients in areas such as homecare as the IJB's care providers are operating at maximum capacity.

The IJB is still incurring additional costs due to the impact of Covid-19. For 2022/23 the Scottish Government will only cover specific categories of covid costs relating to supplier sustainability payments, extra staff costs and Personal Protective Equipment (PPE). Other

categories of covid costs such as extra care home placements and lost income will not be covered by the Scottish Government as it was in previous years.

The Council is forecasting that additional costs will be covered by additional Scottish Government grant for eligible costs, savings achieved elsewhere, or by using Reserves held at the start of the financial year. Therefore, no additional pressure is expected on the General Fund from the IJB.

6. The Joint Boards budget and forecast outturn is based on the amount requisitioned by Grampian Valuation Joint Board. This is currently forecast to be on budget.
7. 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.

To respond to the financial pressures faced by local authorities as a result of the pandemic, the Scottish Government provided a package of financial flexibilities that could be used by local authorities to address funding pressures. One of these was the option to defer the repayment of debt for one year. The Council has opted to utilise this option for 2022/23. This will provide a saving of £9.1m. The repayment of this debt must then be made within 20 years from the end of the 2022/23 financial year.

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 Miscellaneous Services and is under regular review. The council reinstated income recovery processes in 2021 following deferral of action due to the pandemic.

8. 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 above budget at this time; however, the education staffing vacancy figures are not included in Quarter 1 figures.

Local Government pay negotiations are ongoing at this time, and while the Council has made provision within its budget for an average award of 2% across the workforce, without additional, recurring, Scottish Government financial support there is the risk that when agreed, the pay award will add cost to the bottom line.

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 unplanned events or from those 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.

9. Council Expenses include the budgets for all councillors' costs, including salaries and expenses. These are forecast to be on 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. The forecast 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 for Local Government.
12. Council Tax income is forecast to be above budget for 2022/23 based on better than expected income levels in 2021/22, along with the 3% increase agreed by the Council in setting the 2022/23 budget.
13. Use of Reserves. The Council approved in its 2022/23 budget that a sum of £5.519m will be used from earmarked General Fund reserves to fund the budget. The Council expects to draw down this amount in full.

### **Housing Revenue Account**

14. The overall HRA budget is balanced however there are several areas of pressure. These are the potential increases in repairs and maintenance from the cost of materials, utilities, and housing voids. The higher costs in these areas will be offset by a reduced contribution to Capital from Current Revenue (CFCR).

### **Earmarked Reserves**

As at 1 April 2022 the Council held £62.9m 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 expenditure being set against the finite reserves held at the start of the year. As an example, the Council expects to continue to incur expenditure from the Transformation Fund in 2022/23 progressing the digital programme of transformation.

The other significant earmarked reserves to draw attention to at this time is the Second & Long-term Empty Properties reserve (£13.110m), which is set aside for affordable housing. Expenditure in 2022/23 will depend on the progress with a number of developments including Summerhill and Wellheads and the amount of Scottish Government funding and Section 75 income (developers' contributions) to be used as this funding is time limited, these funds support the delivery of additional social housing by the Council.

As referenced earlier in the report, the earmarked Covid-19 Grants (£19.016m) 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 as 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 part of the vacancy advertising process.
- 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 2022/23.
- The voluntary severance / early retirement scheme is how the Council has incentivised workforce reductions. This is an expensive scheme, funding must be found and accounted for up front from revenue resources. For the last few years, it has been permitted, by Scottish Government Ministers, for Local Government to use Capital Receipts to fund this revenue cost. This scheme has been extended until 31 March 2023. The Council has seen limited capital receipts since the March 2020, with a retained balance of £0.8m on the balance sheet at 31 March 2022. To maintain robust financial controls, and with such tight financial constraints on the funding of the scheme, consideration should be given to the parameters of the current scheme.

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 – this is chaired by the Chief Officer for Capital.

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 Council 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 risks to the Council remains the recovery of income and reduction in resources directed towards recovery from the impacts of Covid-19, the high inflation level and extremely high increases experienced in the cost of energy supplies as these will continue to have a substantial impact on Council services.

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 a balanced budget. The Housing Revenue Account is also in a balanced position, and this is captured in the tables set out below.

## General Fund Financial Reporting Summary 2022/2023 - Quarter 1

As at 30 June 2022	Budget 2022/2023	Outturn 2022/2023 Quarter 1	Variance from Budget		Notes
	£'000	£'000	£'000	%	
Operations	277,850	282,969	5,119	1.8	1
Customer	42,013	42,262	249	0.6	2
Commissioning	22,867	24,234	1,367	6.0	3
Resources	(2,785)	5,425	8,209	(294.8)	4
Integrated Joint Board	116,639	116,639	0	0.0	5
<b>Total Functions Budget</b>	<b>456,584</b>	<b>471,528</b>	<b>14,944</b>	<b>3.3</b>	
Joint Boards	1,858	1,858	0	0.0	6
Miscellaneous Services	63,431	54,510	(8,921)	(14.1)	7
Contingencies	3,756	(1,218)	(4,973)	(132.4)	8
Council Expenses	1,518	1,518	1	0.0	9
<b>Total Corporate Budgets</b>	<b>70,562</b>	<b>56,669</b>	<b>(13,894)</b>	<b>(19.7)</b>	
Non Domestic Rates	(268,557)	(268,557)	0	0.0	10
General Revenue Grant	(123,833)	(123,833)	0	0.0	11
<b>Government Support</b>	<b>(392,391)</b>	<b>(392,391)</b>	<b>0</b>	<b>0.0</b>	
Council Tax	(129,237)	(130,288)	(1,051)	0.8	12
<b>Local Taxation</b>	<b>(129,237)</b>	<b>(130,288)</b>	<b>(1,051)</b>	<b>0.8</b>	
Contribution from Reserves	(5,519)	(5,519)	0	0.0	13
<b>Contribution from Reserves</b>	<b>(5,519)</b>	<b>(5,519)</b>	<b>0</b>	<b>0.0</b>	
<b>Deficit/(Surplus)</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>0.0</b>	

## Housing Revenue Account Summary 2022/2023 - 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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## General Fund Capital Programme

As instructed by the report RES/22/136 – Council Financial Performance – Quarter 4 2021/22, at City Growth and Resources committee on 21 June 2022 this update incorporates the outcomes of the completed financial year into the reprofiled programme for 2022/23 to 2026/27.

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

- £1.310 million towards improvements in Chapel Street, Car Park under the terms of the agreed lease;
- £3.000 million for Photovoltaics;
- £0.847 million from the Place Based Investment Fund for 2022/23;
- £0.074 million towards Active Travel plans;
- An increased Cycling Walking Safer Routes grant for 2022/23, now raised to £1.467 million;
- £0.684 million towards creation of additional recycling capacity at Sclattie Waste Transfer Station

Further reprofiling is recommended in this report, based on the conclusions contained in Appendix 5.

As at Period 3 2022/23	2022/23					
	Original Approved Budget	Adjustments & Carry Forwards	Revised Budget for Year	Actual Expenditure for Year	Forecast Outturn	Outturn Variance from Revised Budget
	£'000	£'000	£'000	£'000	£'000	£'000
AECC Programme Board	3,206	(1,098)	2,108	1,023	2,108	0
Asset Management Programme Board	75,298	(937)	74,361	12,096	72,034	(2,327)
Asset Management Programme Board Rolling Programmes	30,135	2,885	33,020	3,963	32,997	(23)
City Centre Programme Board	32,124	5,729	37,853	5,208	15,108	(22,745)
Energy Programme Board	70,777	(13,651)	57,126	13,810	40,587	(16,539)
Housing and Communities Programme Board	1,240	4	1,244	(1)	1,020	(224)
Housing and Communities Programme Board Rolling Programme	863	135	998	149	600	(398)
Transportation Programme Board	25,174	(2,078)	23,096	767	22,503	(592)
Transportation Programme Board Rolling Programmes	2,917	(1,043)	1,874	360	1,874	0
Strategic Asset & Capital Plan Board	28,011	968	28,979	273	28,615	(364)
Strategic Asset & Capital Plan Board Rolling Programmes	1,996	(115)	1,881	177	1,996	115
Developer Obligation Projects & Asset Disposals	0	0	0	76	58	58
<b>Total Expenditure</b>	<b>271,741</b>	<b>(9,202)</b>	<b>262,539</b>	<b>37,901</b>	<b>219,500</b>	<b>(43,039)</b>
<b>Capital Funding:</b>						
Income for Specific Projects	(79,443)	18,328	(61,115)	(6,309)	(48,299)	12,816
Developer Contributions	0	0	0	(57)	(58)	(58)
Capital Grant	(18,638)	0	(18,638)	(4,660)	(18,638)	0
Other Income e.g. Borrowing	(173,660)	(9,126)	(182,786)	(26,876)	(152,505)	30,281
<b>Total Income</b>	<b>(271,741)</b>	<b>9,202</b>	<b>(262,539)</b>	<b>(37,901)</b>	<b>(219,500)</b>	<b>43,039</b>

Profiling of project budgets and forecasting of outturns remains challenging given the wide range of factors now affecting construction supply chains. As such the forecast outturns quoted above represent a point in time and there is a strong probability that they will be subject to change as the financial year progresses and additional information becomes available.

Further details of these factors were included in the report Supply Chain Volatility – RES/22/131 presented to the City Growth and Resources committee on 21 June 2022. A more detailed report

presenting the outcomes of a review conducted by the Chief Officer – Capital on projects included in the Capital Programme is included as Appendix 5 to this report.

Capital expenditure for Quarter 1 2022/23 includes purchase of further hydrogen double decker buses for the Aberdeen fleet, continued construction works related to the Energy from Waste (EfW) facility in East Tullos and associated Torry Heat Network, and the on-going refurbishment of Union Terrace Gardens. Expenditure was also incurred on progressing the New Schools programme, with the New Milltimber Primary opening at the end of May. The City Centre Masterplan also achieved a significant milestone with the demolition of the former Aberdeen Market.

Further legal commitments entered into during Quarter 1 2022/23 include the contract for the dualling of South College Street, funded through the Bus Partnership Fund, which was awarded at the end of June 2022. The legal agreements governing the Hydrogen Joint Venture with bp were also formally completed in June 2022.

## Housing Capital Programme

The Housing Programme is also subject to the review instructed by City Growth and Resources Committee on 21 June resulting from the external cost and time pressures, this will consider the timeline delivery, financial viability, and the impact on service delivery because of revised delivery timelines.

Spend is low in the rolling programme in areas such as kitchen, bathroom, structural repairs, lift and window replacements. The kitchen and window contract has experienced supply chain issues however both have now moved to framework contracts which will result in improved performance in these areas.

The assumption at Quarter 1 is that budgeted expenditure will be achieved in 2022/23, this will be updated following the review.

Housing Capital Programmes	Approved Budget	Expenditure to date	Forecast Expenditure
As at 30 June 2022	£'000	£'000	£'000
Compliant with the tolerable standard	1,590	(30)	1,590
Free from Serious Disrepair	12,859	636	12,859
Energy Efficient	9,655	1,791	9,655
Modern Facilities & Services	5,277	226	5,277
Healthy, Safe and Secure	8,796	835	8,796
<i>Non Scottish Housing Quality Standards</i>			
Community Plan and Local Outcome Improvement Plan	6,225	412	6,225
Service Expenditure	4,783	111	4,783
2000 New Homes Programme	138,698	13,990	138,698
less 11% slippage	(5,410)		(5,410)
<b>Net Programme</b>	<b>182,473</b>	<b>17,970</b>	<b>182,473</b>
<b>Capital Funding</b>			
Borrowing	(131,425)	(13,698)	(131,425)
Other Income - Grants Affordable Homes etc	(35,074)	(1,102)	(35,074)
Capital Funded from Current Revenue	(15,974)	(3,170)	(15,974)
<b>Total</b>	<b>(182,473)</b>	<b>(17,970)</b>	<b>(182,473)</b>

## Common Good

As at June 2022	Full Year Budget 2022/23 £'000	Forecast Actual Expenditure £'000	Variance from Budget £'000
Recurring Expenditure	3,436	3,436	0
Recurring Income	(4,431)	(4,431)	0
<b>Budget after Recurring Items</b>	<b>(995)</b>	<b>(995)</b>	<b>0</b>
Non Recurring Expenditure	676	676	0
Non Recurring Income	0	0	0
<b>Net (Income)/Expenditure</b>	<b>(319)</b>	<b>(319)</b>	<b>0</b>
<b>Cash balances as at 1 April 2022</b>	<b>(38,301)</b>	<b>(38,301)</b>	
Net Expenditure from Income & Expenditure	(319)	(319)	0
Investment Revaluation (Increase)/Decrease	0	2,012	2,012
Net Capital Receipt	0	0	0
<b>Cash Balances as at 31 March 2023</b>	<b>(38,620)</b>	<b>(36,608)</b>	<b>2,012</b>

## Notes

- The Common Good is forecast to be on budget as at 30 June 2022.
- The investment of cash balances in a multi-asset income fund, approved by Council on 10 March 2021 has now been implemented. The value of the investment may fall as well as increase, this will be reported quarterly. As at 30 June 2022 the value of the investments was £25.8m, a reduction on the quarter of £2.012m. Cash balances will be affected by this change as will the overall Net Value of the Common Good.
- The investment with Fidelity remains a long-term investment and should be measured over a 3 to 5 year period.
- Income levels expect to be maintained and the budgeted income achieved
- Recurring expenditure is generally forecast to be on budget, with events expecting to proceed this year, uninterrupted by Covid-19 restrictions, and grants payable throughout the year to the wide range of approved organisations.
- The budgets to support Civic activities are subject to review following the election of the new Council and Lord Provost, and forecasts in future reports will be updated to reflect and changes. A budget virement of £2,500 within the Civic budgets provides some additional support to the Burgesses of Guild.



**COMMON GOOD  
FINANCIAL STATEMENT  
FOR THE PERIOD ENDING  
30 JUNE 2022**

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Comprehensive Income and Expenditure Statement	2
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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 has been placed in a Multi-Asset Income Fund with Fidelity. Returns on this investment are now reported on a quarterly basis in Appendix 2.

## Movement in Reserves Statement

	Common Good Fund £'000	Reserves Fund £'000	Total Common Good £'000
<b>Balance at 31 March 2022</b>	(131,873)	(68)	(131,941)
<b>Movement in Reserves during 2022/23</b>			0
(Surplus) or Deficit on provision of services	(206)	0	(206)
(Surplus) or Deficit on revaluation of investment property	2,012	0	2,012
<b>Total Comprehensive Expenditure and Income</b>	<b>1,806</b>	<b>0</b>	<b>1,806</b>
<b>Balance at 30 June 2022</b>	<b>(130,067)</b>	<b>(68)</b>	<b>(130,135)</b>

## Comprehensive Income and Expenditure Statement

	<u>Quarter 1, 2022/23</u>			Notes
	Gross Expenditure £'000	Gross Income £'000	Net (Income) Expenditure £'000	
Grants & Contributions to External Organisations	128		128	
External Organisations Rents	28		28	
Promoting Aberdeen	63		63	
Grants/Services Provided by Aberdeen City Council	16		16	
Civic Service Funding	179		179	
Duthie Park HLF	0		0	
Specific Projects	109	(2)	107	
Earmarked Reserves	23		23	
<b>Cost Of Services</b>	<b>546</b>	<b>(2)</b>	<b>544</b>	1
Other Operating Expenditure			0	2
Financing and Investment Income and Expenditure			(750)	3
<b>(Surplus) or Deficit on Provision of Services</b>			<b>(206)</b>	
(Surplus) or Deficit on revaluation of investment property/long term investment			2,012	4
<b>Total Comprehensive Income and Expenditure</b>			<b>1,806</b>	

### Notes

1. This is project expenditure to 30 June 2022.
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 investments and land and properties net of associated expenditure.
4. This figure represents the decrease in value of the long term investment. The revaluation of investment property will be undertaken in Quarter 4.

## Balance Sheet

31 March 2022 £'000		30 June 2022 £'000	Notes
27,780	Long Term Investments	25,768	1
93,639	Investment Property	93,639	1
<b>121,419</b>	<b>Long Term Assets</b>	<b>119,407</b>	
10,504	Investments in Aberdeen City Council Loans Fund	12,918	2
0	Investment Property Held for Sale	0	3
482	Short Term Debtors	(1,307)	4
<b>10,986</b>	<b>Current Assets</b>	<b>11,611</b>	
(464)	Short Term Creditors	(883)	5
<b>(464)</b>	<b>Current Liabilities</b>	<b>(883)</b>	
<b>131,941</b>	<b>Net Assets</b>	<b>130,135</b>	
(131,873)	Common Good Fund	(130,067)	6
(68)	Reserve Fund	(68)	6
<b>(131,941)</b>	<b>Total Reserves</b>	<b>(130,135)</b>	

## Notes

1. This represents the long term investments as at 30 June 2022. 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 2022.
3. Will be reviewed and updated accordingly in Quarter 4.
4. Based on transactions to 30 June 2022.
5. Based on transactions to 30 June 2022.
6. Reflects the accounting value of the funds, based on transactions to 30 June 2022.

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**GROUP ENTITIES  
PROJECTED FINANCIAL  
POSITION FOR THE YEAR 2022/23**

Aberdeen City Council holds a financial interest in a number of Subsidiaries, Associates and Joint Ventures. The most significant of these, in terms of size of trading operations and other factors, 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 2022/23	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	26
Bon Accord Support Services Limited	100	100	34
<b>Joint Ventures</b>			
Aberdeen Sports Village Limited	50	50	5
Aberdeen City Integration Joint Board	50	50	273
<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 2022/23	Reporting Date	Surplus/(deficit) attributable to the Council at Reporting date	Forecast Surplus/(Deficit)	Comment
		£'000	£'000	
<b>Subsidiaries</b>				
Common Good	30.06.22	206	672	
Trust Funds	31.03.22	(18)	-	Full year forecast not yet internally reported as at Q1
Sport Aberdeen Limited	31.03.22	704	-	Full year forecast not yet internally reported as at Q1
Bon Accord Care Limited and Bon Accord Support Services Ltd	30.06.22	6	0	Break even
<b>Joint Ventures</b>				
Aberdeen Sports Village Limited	31.05.22	(916)	-	Full year forecast not yet internally reported as at Q1
Aberdeen City Integration Joint Board	30.06.22	0	0	Break even
<b>Associates</b>				
Grampian Valuation Joint Board	30.06.22	49	-	Full year forecast not yet internally reported as at Q1

The notes below summarise the latest 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 2022/23 to be substantially invested in a multi-asset income fund managed by Fidelity.

The Common Good is currently forecasting an operational surplus of £319k for 2022/23, this will offset the reduction in value of long term investments of £2m - 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 2022, the Trusts reported a net deficit of £18k.

The Trusts are not expected to have a material impact on the Council's financial position for 2022/23.

### **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> March 2022 show net income for the year of £704k.

### **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 surplus of £6k as at 30<sup>th</sup> June 2022. This is mainly due to large spend on equipment incurred in the earlier half of the financial year. Furthermore, there are corrective actions being undertaken to reduce expenditure.

BAC and BASS are forecasting a break-even position for 2022-23.

## **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 2022. This showed that ASV Ltd reported a deficit of £1,832m. The share of the deficit being attributed to the Council is £916k.

### **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 2022, the IJB is forecasting a break-even position for financial year 2022/23.

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 £126k as at 30<sup>th</sup> June 2022 mainly due to underspends in staffing and other supplies and services.

This is a favorable variance of £155k compared to the budgeted deficit of 29K.

The portion of the underspend attributable to ACC is £49k.

## **Non-Material Interest in Other Entities**

On the grounds of materiality, Aberdeen Heat and Power Limited (AH&P Ltd), the North East Transport Partnership (NESTRANS), Grampian Venture Capital Fund Ltd, Strategic Development Planning Authority, Scotland Excel and bp Aberdeen Hydrogen Energy Limited (BAHEL) have to date been excluded from the Group Accounts, and therefore are not disclosed in the quarterly monitoring.

More information on these relationships can be found in the Council's Draft Annual Accounts for 2021/22.





**2022/23**  
**REPROFILING OF CAPITAL PROGRAMMES**

## 1. PURPOSE OF REPORT

- 1.1 At the City Growth & Resources Committee meeting held on Tuesday 21 June 2022 the Committee instructed the Chief Officer Capital to review the General Fund (GFCP) and Housing Capital (HCP) programmes.
- 1.2 This report presents the outcome of the review.

## 2. CURRENT SITUATION

### Background

- 2.1 At the City Growth and Resources Committee meeting on Tuesday 21 June 2022 the Committee considered the report Supply Chain Volatility - RES/22/131. It was determined that the Chief Officer – Capital should conduct a review of the approved General Fund and Housing Capital programmes/projects in terms of timeline delivery and financial viability and to consider the impact on service delivery as a result of revised delivery timelines.
- 2.2 The Committee took into account the need to review the purpose of the projects in the Capital Programmes and to pause to consider the implications of rising cost and supply chain issues that had been highlighted by the report. Seeking assurance that continuing to progress, to delay or to stop projects was seen as an important action to take to test best value, the deliverability of projects and appropriateness of scope prior to proceeding.
- 2.3 The review has therefore been informed by the following criteria:
- Investment, why are we doing it / meeting outcomes;
  - Economic, value for money;
  - Commercial, procurement / delivery mechanism;
  - Environmental, inclusive of Net Zero;
  - Timing, where in the project lifecycle – feasibility, design, under contract, in construction;
  - Interdependencies, between projects and outcomes.
- 2.4 The programmes/projects which are considered as being suitable or need to be reprofiled are shown in Tables 1-2 for the General Fund.

### General Fund Capital Programme (GFCP)

- 2.5 The GFCP is divided into the following sections for budgeting purposes;
- Projects Due for Completion
  - Rolling Programmes
  - City Region Deal
  - Fully Legally Committed Projects
  - Partially Committed Legal Projects
  - Projects with Indicative Budgets
- 2.6 These headings reflect the legal status of the contracts involved in delivery of the projects. To an extent this dictates the level of flexibility that the Council has

in terms of reprofiling, pausing or cancelling projects. This is explained in more detail in the following sections.

- 2.7 Projects Due for Completion: The projects listed within this section are expected to complete in the current financial year. In many cases, the works are already physically complete, and the budgets relate to payment of final fees or outstanding contractor claims. For this reason, these projects are effectively excluded from this reprofiling exercise.
- 2.8 Rolling Programmes: These programmes relate to the on-going investment in sustaining the Council's existing asset base i.e. investment in buildings, roads, fleet and ICT. It is proposed to maintain budget levels as originally approved in March 2022.
- 2.9 What this means in practice is, given current market conditions and commodity cost inflation pressures, if the approved budgets are retained unchanged, it is likely the volume of work delivered under each project line is likely to be reduced.
- 2.10 With no certainty of if or when the disruption to the supply chain and inflation levels will change, and with an ongoing annual need to replace, reinstate and renew assets through the rolling programmes, whilst not ideal, it is considered appropriate to recommend this course of action. To delay works that may very likely lead to emergency or unplanned repair and maintenance work is not an affordable or attractive alternative either.
- 2.11 Therefore, it is not proposed to reprofile these programmes regarding this risk. It could be 1 - 2 years before we see any real retraction in costs, but this will be dependent on the construction sector and how it copes with external factors such as, but not limited to:
- the Covid-19 pandemic
  - Brexit
  - the Russia / Ukraine war
  - Inflation
- 2.12 City Region Deal: This section of the GFCP relates to the Council's funding commitment to the Aberdeen City Region Deal (£10m). It also includes those projects funded by the City Region Deal that the Council has been asked to lead on as they directly relate to investment in Council-owned infrastructure.

The current 5-year total of this section of the GFCP is just under £30m.

Decisions in relation to the City Region Deal programme are reserved to the Aberdeen City Region Deal Joint Committee. No re-profiling of City Region Deal projects is proposed under this report.

- 2.13 Fully Legally Committed Projects: This section contains those projects which have progressed to tender and subsequent engagement of a contractor. Most of these projects are "on site", though a number have already progressed to

Practical Completion; the budgets remaining relate to settlement of final claims from the contractor(s) involved.

- 2.14 If any of these projects were to be terminated it would result in the Council having to invoke termination clauses in legal agreements, which generally result in compensation payments to the contractors involved, as well as payment for any works carried out. This action could also result in the Council being handed incomplete assets which would be unusable without further investment. In any such cases, consideration may have to be given to “writing off” the capital investment incurred, which could result in significant unplanned charges against the Council’s revenue account.
- 2.15 The current 5-year total of this section of the GFCP approved in March 2022 is just under £100m, with all budgets profiled to be utilised by the end of 2023/24.
- 2.16 Having reviewed this section the only projects which require to be reprofiled are as follows (see Table 2);

**Provost Skene House** - Construction complete. Financial close out on-going.

**Aberdeen Art Gallery** - Construction complete. Financial close out on-going.

**Milltimber Primary School** - Construction complete. Financial close out on-going.

**TECA** - Construction complete. Financial close out on-going.

**Early Learning & Childcare** - Construction complete. Financial close out on-going.

**Union Terrace Gardens** - Construction works are well advanced and nearing completion. The latest information is for Practical Completion to be achieved late Autumn 2022.

As this project is incomplete, if the main contractor was instructed to stop works this would lead to the following:

- Gardens would remain inaccessible to the public as there would be health and safety issues due the incomplete nature of walkways and cladding works.
- Pavilions fit-out would be incomplete and the expectation is they would be unable to be let due to the incomplete nature of the gardens.
- Soft and hard landscaping incomplete.

**Countesswells Primary** - Construction works are well advanced, and the expectation is for the new school to be open in Spring/Summer 2023.

This project is currently around half completed. If the main contractor was instructed to stop work this would lead to the following:

- The site would be unusable, with incomplete works across the full extent of the site. There would be health and safety issues and the on-going cost of security obligations of managing a building site.
- There are existing developer obligations in accordance with an agreed Section 75 agreement, some of which have already been applied to the project and may have to be returned if the project was not completed.
- Not fulfilling the obligations within the Section 75 Agreement would also mean that local children would need to be educated outwith the local community. The existing school at Hazlewood would need to continue to be used.

Considering all the above there would be reputational damage to the Council as it has previously committed to delivering the school, and it would not be fulfilling its role in wider community planning. Terminating the project would also be contrary to the Partnership Policy Statement.

**Torry Primary School and Hub** - The main contract for this project was let in late March 2022 and is now considered fully legally committed, with the main contractor having been on site for approximately 4 months. The project is circa 25% complete.

If the main contractor was instructed to stop all works this would lead to the following:

- The site would be left in a condition which was unusable, with incomplete works across the full extent of the site. There would be health and safety issues and the on-going cost of security obligations of managing a building site.
- The £2m Regeneration Capital Grant Fund contribution to the project would likely require to be re-paid to the Scottish Government.

Terminating the project would also be contrary to the Partnership Policy Statement.

- 2.17 Partially Legally Committed Projects: This section of the GFPC contains a range of projects which are at various stages of feasibility or design, or payment for advance works, but the main contract has not yet been formally let. It should be recognised that some of these projects have already incurred significant costs to progress to their current position.
- 2.18 This section also requires to be kept under review as there are projects which have now progressed to Fully Legally Committed stage e.g. the main contract for South College Street dualling was let in recent weeks, and the main contractor started on site on 20 June 2022.
- 2.19 As with the Fully Legally Committed projects, if any of these projects were to be terminated it would result in the Council having to invoke termination clauses in legal agreements, which generally result in compensation payments to the contractors involved, as well as payment for any works carried out. The risk of the Council inheriting incomplete assets which would be unusable without further investment also exists here.

- 2.20 The current 5 year total of this section of the GFCP approved in March 2022 is just under £250m.
- 2.21 Having reviewed this section the only projects which require to be reprofiled are as follows (see Table 2):

**Tillydrone Primary School** - The enabling works are now complete for the proposed 3-stream primary school. This encompasses drainage and ground works such as foundations. The outstanding work packages have been priced but are coming in significantly over budget.

Current school roll forecasts are suggesting that the current primary education provision in Tillydrone is sufficient.

Cancelling the project would mean that the site would be unusable, with incomplete works across its full extent. There would be health and safety issues and the on-going cost of security obligations of managing a building site. It would also contradict the Partnership Policy Statement. The existing Riverbank Primary would not be able to decant to the new site, which would also effectively cancel the planned refurbishment of the existing primary school building for the decant of St Peters RC Primary.

The intention is still to deliver the 3–stream school as part of the wider school estates strategy. Given the current market conditions and the current pricing of work packages the recommendation is to undertake a retendering exercise to test best value. This retender exercise will likely involve a 4-6 month delay to the project delivery timeline.

It is worth noting that this period may have to be extended to align with any statutory consultations should this be required following consideration of the forthcoming School Estate Strategy.

This project needs to be reprofiled.

**Berryden Corridor** - The new infrastructure delivered by this project will increase corridor capacity & improve its operation, reinforcing its role as a Radial Route within the new Roads Hierarchy, while also accommodating traffic associated with CCMP Public Realm projects rerouting through the northern network. It will reduce congestion, shorten journey times and improve journey time reliability. Thus, it provides much improved access to the city centre and relief on less appropriate routes through adjacent neighbourhoods. The improved standard of design will increase road user safety and the perception of safety along the corridor.

It should be noted that enabling/demolition works need to commence in 2023 to preserve the planning approval.

This project budget was reprofiled as part of the approved General Fund Capital programme in March 2022. No further reprofiling is currently proposed at this time.

**Strategic Land Acquisition** – provision for the purchase of land across a number of schemes. This has been reviewed and is recommended to be increased and reprofiled to meet current review information. Schemes included are such as but not limited to Berryden Corridor and Wellington Road.

**Aberdeen Hydrogen Hub** - The General Fund Capital Programme contains two project lines relating to the Aberdeen Hydrogen Hub; one for funding the recently created Joint Venture with BP (H2 JV), and another which deals with the Council's own Hydrogen-related infrastructure.

No reprofiling of either project is currently proposed at this time.

**City Centre and Beach Masterplans** – At present the CCMP budget contains a limited number of legally committed projects. This is because there is still an extensive amount of work to be carried out and the full extent of current design aspiration is not yet costed, and business cases are required to provide the Council the opportunity to make decisions. In the current construction climate it is easy to foresee that additional funding will be required to deliver the full extent of the ambition.

The Committee will be aware that there is also a funding risk around the £20m Levelling Up (LUF1) funds awarded for the Aberdeen City Centre Masterplan. This follows the recent decision in relation to bus access to Union Street - Central.

Given the volume of work still to be undertaken in design, and also the anticipated delivery timetable, at this stage of project delivery there are no recommendations in this report to reprofile the City Centre and Beach Masterplan budget at this time.

Under the current timeline for delivery, continued investment in the design development is recommended, which will lead to recommended project options with Business Cases for further Committee consideration.

The Council has applied for the second round of Levelling Up Funding, with project proposals included from within the Beach Masterplan.

- 2.22 Projects with indicative budgets: This section of the GFCP generally contains projects at the earliest stage of development, however it is not unusual for some of these to progress rapidly to either Partial or Fully Legally Committed status. The £25m Contingency approved by the Council in March 2022 is also part of this section.
- 2.23 Three projects have progressed to Fully Legally Committed since the Budget was set in March 2022:
- Torry Primary and Hub - £24.362m

- Aberdeen Hydrogen Hub Joint Venture – £19.25m
- The Woodies - £0.075m (the project has already been completed)

2.24 There are a range of issues which need to be considered for the projects which remain in this section of the programme (see Table 2).

**Bridge of Don Household Waste Recycling Centre (HWRC)** - There is a requirement for a new household waste recycling centre within the Bridge of Don locality as the existing site is inadequate and no longer fit for purpose.

The Council has a statutory duty to provide the public with a facility to deposit household waste. Over the past decade and more, the requirement, both legislatively and environmentally, for increased sorting and treatment of materials such as electrical goods, wood, paint, etc have placed significant additional pressure on those facilities which were not designed for this level of separation. The current site is now too small as it does not provide for the required demand and suffers from traffic management issues.

Cancelling the project would likely mean the Bridge of Don area would be unable to meet its recycling targets.

A number of sites are currently under consideration and recognising that recycling will be critical within the Council's strategy of how it deals with its waste it is recommended that this project continues.

This project needs to be reprofiled.

**B999 Shielhill Road Junction Improvements** - This project has been in the approved programme for a number of years and recognising that the timing of its delivery is linked with developer obligations which have to be committed by 2026.

However, at the Council meeting on 13 July 2022 the Council agreed that the B999 / Shielhill Road junction improvements project is a priority investment within the Council's Capital Programme and instructed the Chief Officer Capital to review the project's current planned timeline and identify options to accelerate its delivery.

It has previously been reported to the Capital Committee that the current delivery timeline is for construction in FY 2023/24. Following the review this is still the case.

Due to cost environment this project has therefore been reprofiled from a cost perspective. The reprofiling has assumed a favourable negotiation for private land purchase which does not require compulsory purchase powers to be enacted. If this was to be the case, then this would delay construction for circa a further year than that profiled.

**Torry Development Trust - Former Victoria Road School** - This project is fully funded by the Scottish Government Regeneration Capital Grant Fund.



Officers from the City Growth cluster are finalising arrangements to passport the grant funding to Torry Development Trust.

This is the only route available to the Trust to access these grant funds so if the Council withdrew from the project the Trust would need to reconsider the viability of the project.

This project is being reprofiled separately to reflect the update funding profile agreed with the Regeneration Capital Grant fund.

**Dyce Library Relocation** - This project involves the relocation of the existing Dyce Library to a new location within Dyce Community Learning Centre. There are already £618k developer obligations available for this project from several different obligations

A pre-tender estimate of the relocation has been prepared taking cognisance of expected material and construction costs. Should the pre-tender estimate be correct there is a high likelihood that there will be a need for additional budget provision.

The current library is facing ever increasing demands and cancelling the project will mean the current library will continue to struggle to meet these demands due to a lack of space.

There is also a funding risk that some of the currently available developer obligations may have to be returned to the Developer(s) if the spend by date expires.

Stopping the project will also mean the potential disposal of the existing Dyce Library building to generate a capital receipt will be unable to taken forward.

This project needs to be reprofiled.

**Joint Integrated Mortuary** - The Scottish Government has paid £18 million towards the costs of the Joint Integrated Mortuary at Aberdeen Royal Infirmary. The funds were received by the Council at the end of 2021/22 on the basis that a partnership approach to the project across the NHS, local government and other public sector bodies would be adopted.

Under the Public Health (Scotland) Act 2008, Local Authorities and NHS Boards have a duty to co-operate to provide mortuary facilities. This provision includes a repository for post-mortem examination facilities. Each Local Authority must provide or ensure the provision of premises and facilities:

- For the reception and temporary storage of the bodies of persons who die in the authority's area; and
- For the post-mortem examination of such bodies, as it considers appropriate.

To date, total funding to the value of £21.576m is expected to be provided by partners for the project. These conversations are on-going. Stopping the project

now will likely mean losing these funding contributions, and repayment of the £18 million grant to the Scottish Government.

Moving the public mortuary from its current location at the rear of the old Police HQ building is essential to progressing with the Queen Street Masterplan aspiration which is currently under development.

If the existing project did not progress, an alternative site would need to be identified for the City's new mortuary. Finding an alternative site has proved difficult in the past.

This project needs to be reprofiled.

**St Peters RC Primary Relocation** - Progressing this project is currently dependent on completion of the new Tillydrone Primary School, to allow the decant from the existing Riverbank Primary School.

In order to facilitate this relocation, the new Riverbank Primary School will need to be delivered and the existing Riverbank Primary School will need an extensive refurbishment. Only after this work is complete can a decant from St Peters RC primary take place.

The refurbishment of the existing Riverbank Primary School has already been allocated £17m through the GFCP. An application is currently being prepared for submission to the Scottish Government's Learning Estate Infrastructure Programme (LEIP) for funding support for operating the refurbished school. This application requires a high degree of energy efficiency to be achieved and would result in the first 'green school' for the Council.

Enabling the decant would mean the potential disposal of the existing St Peters School to derive a capital receipt.

This project needs to be reprofiled.

**Bucksburn Academy Extension (temporary solution)** - Officers are working on completing the necessary contracts to purchase the modular accommodation. If the units are not purchased, the school is forecast to remain over capacity from the start of the 2022/23 academic year with the pressure this creates on curriculum choices due to limited classroom space.

It is not proposed to reprofile this budget at this time.

**Early Learning & Childcare - St Josephs** - The business case for this project indicated that there was a surplus of available nursery places within the local area of St Josephs RC Primary, and there is therefore no identified need to proceed with the project.

Due to demands on in-house resources, no detailed progress has been made on the project. If the project was to proceed a decision would be required on

whether the new nursery should be created in a standalone unit in the school grounds, or by refurbishment within the school buildings.

Capital funding for Early Learning and Childcare expansion provided in prior years by Scottish Government has been fully spent and therefore any additional provision at St Josephs Primary School is not funded. The revenue implications are also unfunded, with reductions experienced in the grant funding made available for this specific policy.

It is recommended this project is removed from the General Fund Capital programme.

**Garthdee Link Road** - This project assumes all costs are to be recovered at the end of the project by accessing a Housing Investment Fund associated to the City Region Deal. The Council will have to cashflow the project through its design and construction stages depending on any agreements to be made with the Scottish Government over accessing this Fund.

Officers have held early discussions with the developers involved in the wider plans for the area, however no commitments on works have been made to date.

The Partnership Policy Statement refers to this project as the Pitfodels Link road and indicates Council funds should not be used to support the project.

It is recommended this project is removed from the General Fund Capital programme.

**Expansion of Free School Meals to P6 and P7 Pupils** - The Council submitted cost estimates (for P6/7 expansion) to the Scottish Government in October 2021. At that time no spare capacity could be identified to progress this initiative.

The capital works which have been flagged to the Scottish Government as being needed to expand school catering and dining facilities indicate that more space and equipment must be provided before capacity can be further increased.

The funding requested of the Scottish Government to deliver this expansion was circa £11m. The Council awaits a response from the Scottish Government.

**Contingency** - Taking cognisance of all the above, and subject to Committee decisions, the recommendations in this paper will draw much of the Contingency budget into existing projects.

The Contingency budget has been reprofiled in Table 2 assuming all the recommendations are accepted.

The remaining Contingency budget provides resilience for continuing unknowns in respect of projects such as but not limited to the Art Gallery Court Case, the

New Joint Integrated Mortuary project; and potentially provide support for other project related costs on the Council estate.

Bearing in mind current market pressures and the pricing being experienced it remains a risk that the Contingency budget may prove to be insufficient in the medium term.

## Housing Capital Programme

2.25 The Housing Capital Programme is broadly divided into two distinct categories which are then subdivided into other sections as shown below;

### Scottish Housing Quality Standards

- Compliant with the tolerable standard
- Free from Serious Disrepair
- Energy Efficient
- Modern Facilities & Services
- Healthy, Safe & Secure

### Non Scottish Housing Quality Standards

- Community Plan & LOIP
- Service Expenditure

2.26 These headings are then further sub-divided to reflect the various distinct elements of capital funded works which are routinely carried out in a typical housing unit to make them safe, habitable, watertight and secure.

2.27 In general, the Housing Capital programmes/projects are primarily rolling refurbishment/replacement programmes of works, such as, but not limited to, windows, doors, bathrooms, and kitchens. There are however other distinct projects/housing units that require more extensive works to make the safe and secure and habitable which are related to their structural integrity and external fabric e.g. in relation to multi storey tower blocks.

2.28 Notwithstanding this, the most significant project line within the Housing Capital programme is the budget for New Build/Former Council House Buy Back.

2.29 The budget line for this item, located within the Community Plan and LOIP section, is circa 85% - 95% of this section's expenditure, and more than 50% of the full 5 Year Housing Capital programme. Circa 75% of the New Build/Former Council House Buy Back programme is planned for financial years 2022/23 and 2023/24.

2.30 Importantly, for the same two years when viewed together, it is circa two thirds of the overall 5-year Housing Capital Programme. Clearly any movement/change in this level of expenditure will have a significant influence on the overall Housing Capital budget.

2.31 Members will appreciate that Capital expenditure must be funded, and any borrowing required in support of the Housing Capital Programme is paid for

from the Housing Revenue Account. This is turn is funded by rental income from the Council's tenants.

- 2.32 For the reasoning above, it is proposed that the reprofiling of programmes/projects within Housing Capital is best focussed on the new build/former council house buy back.
- 2.33 For the other project lines within the Housing Capital Programme, it is proposed to maintain budget levels as originally approved in March 2022.
- 2.34 As with the General Fund Rolling programme, what this means in practice is, given current market conditions and commodity cost inflation pressures, if the approved budgets are retained unchanged, it is likely the volume of planned work delivered under each project line is likely to be reduced.
- 2.35 With no certainty of if or when the disruption to the supply chain and inflation levels will change, and with an ongoing annual need to replace, reinstate and renew assets through the rolling programmes, whilst not ideal, it is considered appropriate to recommend this course of action. To delay works that may very likely lead to emergency or unplanned repair and maintenance work is not an affordable or attractive alternative either.
- 2.36 New Build/Former Council House Buy Back: The new housing sites are being delivered by two strands:

- Developer Led
  - Wellheads
  - Summerhill
  - Auchmill
  - Cloverhill
- Council Led
  - Kincorth
  - Craighill
  - Tillydrone
  - Kaimhill

Terminating these contracts is in some cases illogical, as the works are already complete. In other cases, it would result in the Council having to invoke termination clauses in legal agreements, which generally result in compensation payments to the contractors involved, as well as payment for any works carried out. This action could also result in the Council being handed incomplete assets which would be unusable without further investment. In any such cases, consideration may have to be given to "writing off" the capital investment incurred, which could result in significant unplanned charges against the Council's revenue account.

For the **Developer Led sites**, these projects and budgets are fully committed. The works at Wellheads are complete with units handed over and only final account negotiations outstanding. The two sites at Auchmill and Summerhill are

well advanced such that a phased handover of units will commence soon. In short, these works should all be concluded. Scottish Government grant has been received in respect of these sites.

This only leaves the Cloverhill site, which is by far the largest. Works commenced earlier this year, so the project is at an early stage of construction. However, it should be noted that the works are extended over a 5-year period and the contract is for a fixed price.

No reprofiling of the Developer Led projects is currently proposed.

The four **Council Led sites** were awarded directly and procured through a two-stage design and build tender process.

The first stage covered the enabling works packages (groundworks) and the second stage the construction works (generally everything else above ground level) which are outstanding. All four sites are at different stages of delivery.

The current position for these four sites is to close out tender offers for the outstanding work packages. These tender exercises are highlighting a significant increase in cost.

For all four sites an exercise is underway to look at what value engineering, if any, can be adopted to reduce expenditure.

**Craighill** - The enabling works concluded in July 2022.

Cancelling the project would mean that the site would be unusable, with incomplete works across its full extent. There would be health and safety issues and the on-going cost of security obligations of managing a building site.

**Kincorth** - The enabling works are planned to conclude in October 2022.

Cancelling the project would mean that the site would be unusable, with incomplete works across its full extent. There would be health and safety issues and the on-going cost of security obligations of managing a building site.

**Tillydrone** - The enabling works concluded in June 2022.

The Tillydrone project is further advanced than both the Craighill and Kincorth projects. More than half the construction packages are now instructed with structural works and above ground works underway. Cancelling the project would mean that the site would be unusable, with incomplete works across its full extent. There would be large areas of part-built buildings and materials on site and there would be health and safety issues and the on-going cost of security obligations of managing a building site.

**Kaimhill** - The enabling works concluded in June 2022. It is worth noting that this project is the smallest of the four Council Led projects (35 units) and has the least cost.

Having said that the project could still be cancelled but like the others it would mean that the site would be unusable, with incomplete works across its full extent. There would be health and safety issues and the on-going cost of security obligations of managing a building site.

### **Recommendation: Council Led Sites**

In light of the erratic tender submissions which are currently being submitted across all 4 Council Led sites, and notwithstanding the implications of pausing works, it is considered prudent that the construction works on all 4 sites should pause at the next most appropriate milestone in each of their respective delivery timelines. It is considered that the current cost proposals are not delivering best value.

This will allow officers, supported by consultants, to investigate what options are then taken forward to try and mitigate the current cost pressures through value engineering, alternative procurement routes or re-phasing the delivery of the respective projects.

The outcome of this exercise will be reported to the next appropriate City Growth and Resources Committee meeting.

**Clinterty** - Aberdeen City Council is responsible for the maintenance of the Gypsy Traveller Site at Clinterty, including tenancy management. The site opened in 1982 and requires to be upgraded as the service is vital to ensure the wellbeing and needs of Gypsy Travellers coming to Aberdeen and settled travellers on site.

The existing 21-unit site is located to the north-west of the city.

In 2015 the Scottish Government issued a report to all Local Authorities on Minimum Site Standards. Proposals have been developed for its refurbishment (increasing the travelling caravan provision) which have recently been tendered, with the resulting costs being more than has been budgeted.

Prior to proceeding, Council Officers are in negotiation with Scottish Government seeking an additional funding contribution.

### **Ukraine (Scottish Government Capital Submission for Void Properties)**

The city is currently supporting circa 1,000 displaced Ukrainians resulting from the current Russia / Ukraine conflict. Most individuals have been temporarily settled in Welcome Hub accommodation across a number of hotels, with a smaller number in Council properties let out through the Warm Scottish Welcome scheme and private host properties. This accommodation need is forecast to grow. There is a need to move the temporary hotel type of residency to a more permanent accommodation.

Following a letter from Neil Gray MSP inviting bids for Capital investment in void properties, Aberdeen City Council are bidding for circa £7.2m to bring 516 void properties back into use, for letting to Ukrainian individuals displaced by the ongoing conflict in Ukraine.

This Capital funding bid would deal with two categories of property requiring work to be undertaken to return them to Scottish Housing Quality Standard (SHQS) and Energy Efficient Scotland Housing standard (EESH):

- Council properties that are unable to be relet (UTBR)

UTBR properties are those that require Capital works to bring them back to SHQS. This will include work such as bathrooms, kitchens, full central heating installations, rewiring, asbestos removal and on some occasions dry rot treatment.

Some of these properties involve repair of major issues such as fire damage.

- Buy back properties

These are properties that the Council has repurchased which were originally sold through 'right to buy' legislation. These properties all have surveys undertaken prior to concluding the reacquisition so there is up to date information on the works needed.

Initial meetings have been held with Scottish Government Officers and Council Officers with information being shared. It is hoped that this process will be concluded in late August / early September which if favourable and following procurement requirements will enable works on voids to proceed.

If Scottish Government funding is confirmed then project will be added to the Housing Capital Programme.

### **3. FINANCIAL SUMMARY**

- 3.1 The following tables capture the before and after implications recommended following the review of the capital programmes, there is no impact on the approved prudential indicators as the overall capital financing requirement has not changed:



**TABLE 1: GENERAL FUND CAPITAL - SELECTED PROJECTS PRIOR TO REPROFITING**

General Fund Capital Programme		Budget	Budget	Budget	Budget	Budget	5 Year
		2022/23	2023/24	2024/25	2025/26	2026/27	Total
NHCP No.	BEFORE RE-PROFITING	£'000	£'000	£'000	£'000	£'000	£'000
<b>Fully Legally Committed Projects</b>							
799B	Art Gallery Redevelopment - Main Contract (HLF)	0	0	0	0	0	0
809	New Milltimber Primary	1,461	241	0	0	0	1,702
821	New Aberdeen Exhibition & Conference Centre	2,108	3,000	0	0	0	5,108
824	Provost Skene House	0	0	0	0	0	0
824	Union Terrace Gardens	2,808	0	0	0	0	2,808
841	Torry Primary School and Hub	20,500	5,893	351	0	0	26,744
855	Early Learning & Childcare	0	0	0	0	0	0
865	Countesswells Primary	11,937	167	0	0	0	12,104
		<b>38,814</b>	<b>9,301</b>	<b>351</b>	<b>0</b>	<b>0</b>	<b>48,466</b>
<b>Partially Legally Committed Projects</b>							
791	Strategic Land Acquisition	4,092	0	0	0	0	4,092
806B	CATI - Berryden Corridor (Combined Stages 1, 2 & 3)	2,135	4,300	15,600	9,900	8,500	40,435
840	Tillydrone Primary School	17,487	8,334	460	0	0	26,281
874	B999 Shielhill Road Junction Improvements	133	490	0	0	0	623
883	City Centre and Beach Masterplans	32,931	25,000	40,000	40,000	20,000	157,931
		<b>56,778</b>	<b>38,124</b>	<b>56,060</b>	<b>49,900</b>	<b>28,500</b>	<b>229,362</b>
<b>Projects with indicative budgets</b>							
810J	Bridge of Don Household Waste Recycling Centre (HWRC)	1,048	1,350	0	0	0	2,398
884	Torry Development Trust - Former Victoria Road School	845	564	0	0	0	1,409
890	Dyce Library Relocation	740	15	0	0	0	755
894	Joint Integrated Mortuary	8,500	16,900	600	0	0	26,000
895	St Peters RC Primary Relocation	500	1,000	7,750	7,750	0	17,000
896	Bucksburn Academy Extension (temporary solution)	2,000	0	0	0	0	2,000
897	Early Learning & Childcare - St Josephs	500	2,300	200	0	0	3,000
902	Garthdee Link Road	300	300	2,900	1,500	0	5,000
999	Contingency	20,000	5,000	0	0	0	25,000
		<b>34,433</b>	<b>27,429</b>	<b>11,450</b>	<b>9,250</b>	<b>0</b>	<b>82,562</b>
	<b>Totals</b>	<b>130,025</b>	<b>74,854</b>	<b>67,861</b>	<b>59,150</b>	<b>28,500</b>	<b>360,390</b>

  

General Fund Capital Programme - Funding		Budget	Budget	Budget	Budget	Budget	5 Year
		2022/23	2023/24	2024/25	2025/26	2026/27	Total
NHCP No.		£'000	£'000	£'000	£'000	£'000	£'000
809	New Milltimber Primary	(1,781)	0	0	0	0	(1,781)
855	Early Learning & Childcare	0	0	0	0	0	0
865	Countesswells Primary	0	(1,342)	(2,500)	(1,442)	0	(5,284)
874	B999 Shielhill Road Junction	(133)	(150)	0	0	0	(283)
883	City Centre and Beach Masterplans	(2,318)	(16,932)	0	0	0	(19,250)
884	Torry Development Trust - Former Victoria Road School	(845)	(564)	0	0	0	(1,409)
890	Dyce Library Relocation	(740)	(15)	0	0	0	(755)
893	Joint Integrated Mortuary	(8,500)	(13,076)	0	0	0	(21,576)
902	Garthdee Link Road	0	0	0	0	(5,000)	(5,000)
	<b>1. Programme Funding Streams Sub-Total</b>	<b>(14,317)</b>	<b>(32,078)</b>	<b>(2,500)</b>	<b>(1,442)</b>	<b>(5,000)</b>	<b>(55,337)</b>
	<b>3. Borrowing</b>						<b>0</b>
	<b>Sub-total</b>	<b>(14,317)</b>	<b>(32,078)</b>	<b>(2,500)</b>	<b>(1,442)</b>	<b>(5,000)</b>	<b>(55,337)</b>
	<b>Net Position</b>	<b>115,708</b>	<b>42,775</b>	<b>65,361</b>	<b>57,708</b>	<b>23,500</b>	<b>305,052</b>

**TABLE 2: GENERAL FUND CAPITAL – PROJECTS REPROFILED**

General Fund Capital Programme		Budget	Budget	Budget	Budget	Budget	5 Year
NHCP No.	AFTER RE-PROFILING	2022/23	2023/24	2024/25	2025/26	2026/27	Total
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Fully Legally Committed Projects</b>							
799B	Art Gallery Redevelopment - Main Contract (HLF)	500	0	0	0	0	500
809	New Milltimber primary	2,151	241	0	0	0	2,392
821	New Aberdeen Exhibition & Conference Centre	4,108	3,000	0	0	0	7,108
824	Provost Skene House	500	0	0	0	0	500
824	Union Terrace Gardens	4,308	0	0	0	0	4,308
841	Torry Primary School and Hub	20,500	5,893	351	0	0	26,744
855	Early Learning & Childcare	1,300	0	0	0	0	1,300
865	Countesswells Primary	11,937	1,767	0	0	0	13,704
		<b>45,304</b>	<b>10,901</b>	<b>351</b>	<b>0</b>	<b>0</b>	<b>56,556</b>
<b>Partially Legally Committed Projects</b>							
791	Strategic Land Acquisition	5,000	0	0	0	0	5,000
806B	CATI - Berryden Corridor (Combined Stages 1, 2 & 3)	2,135	4,300	15,600	9,900	8,500	40,435
840	Tillydrone Primary School	5,487	19,000	11,700	0	0	36,187
874	B999 Shielhill Road Junction Improvements	133	610	0	0	0	743
883	City Centre and Beach Masterplans	32,931	25,000	40,000	40,000	20,000	157,931
		<b>45,686</b>	<b>48,910</b>	<b>67,300</b>	<b>49,900</b>	<b>28,500</b>	<b>240,296</b>
<b>Projects with indicative budgets</b>							
810J	Bridge of Don Household Waste Recycling Centre (HWRC)	1,048	1,830	0	0	0	2,878
884	Torry Development Trust - Former Victoria Road School	845	564	0	0	0	1,409
890	Dyce Library Relocation	740	143	0	0	0	883
894	Joint Integrated Mortuary	8,500	16,900	600	0	0	26,000
895	St Peters RC Primary Relocation	0	500	1,000	7,750	7,750	17,000
896	Bucksburn Academy Extension (temporary solution)	2,000	0	0	0	0	2,000
897	Early Learning & Childcare - St Josephs	0	0	0	0	0	0
902	Garthdee Link Road	0	0	0	0	0	0
999	Contingency	3,088	5,280	0	0	0	8,368
		<b>16,221</b>	<b>25,217</b>	<b>1,600</b>	<b>7,750</b>	<b>7,750</b>	<b>58,538</b>
<b>Totals</b>		<b>107,211</b>	<b>85,028</b>	<b>69,251</b>	<b>57,650</b>	<b>36,250</b>	<b>355,390</b>

  

General Fund Capital Programme - Funding		Budget	Budget	Budget	Budget	Budget	5 Year
NHCP No.		2022/23	2023/24	2024/25	2025/26	2026/27	Total
		£'000	£'000	£'000	£'000	£'000	£'000
809	New Milltimber primary	(1,781)	0	0	0	0	(1,781)
855	Early Learning & Childcare	0	0	0	0	0	0
865	Countesswells Primary	0	(1,342)	(2,500)	(1,442)	0	(5,284)
874	B999 Shielhill Road Junction	(133)	(150)	0	0	0	(283)
883	City Centre and Beach Masterplans	(2,318)	(16,932)	0	0	0	(19,250)
884	Torry Development Trust - Former Victoria Road School	(845)	(564)	0	0	0	(1,409)
890	Dyce Library Relocation	(740)	(15)	0	0	0	(755)
893	Joint Integrated Mortuary	(8,500)	(13,076)	0	0	0	(21,576)
902	Garthdee Link Road	0	0	0	0	0	0
	<b>1. Programme Funding Streams Sub-Total</b>	<b>(12,536)</b>	<b>(32,078)</b>	<b>(2,500)</b>	<b>(1,442)</b>	<b>0</b>	<b>(50,337)</b>
	<b>3. Borrowing</b>						<b>0</b>
	<b>Sub-total</b>	<b>(12,536)</b>	<b>(32,078)</b>	<b>(2,500)</b>	<b>(1,442)</b>	<b>0</b>	<b>(50,337)</b>
	<b>Net Position</b>	<b>94,675</b>	<b>52,950</b>	<b>66,751</b>	<b>56,208</b>	<b>36,250</b>	<b>305,053</b>

#### 4. LEGAL AND RISK IMPLICATIONS

- 4.1 There may be legal implications arising from the exercise undertaken however officers have sought to mitigate these where possible. Capital projects are already subject a wide range of legal and contractual arrangements, should legal implications arise from any of the projects, officers within the Capital and Finance Clusters will work closely with the Commercial and Procurement Services legal team to consider the best way forward.
- 4.2 The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	Failure to deliver the aspirations of the Partnership Statement	The review encompasses consideration of the need to deliver the aspirations as outlined in the Partnership Statement. Where appropriate market engagement will be carried out prior to procurement.  Value engineering is being considered where appropriate.	M	Yes
<b>Compliance</b>	Failure to be able to comply with project requirements	Increase site visits and monitoring of the construction works. If required, review alternative options as soon as possible.	L	Yes
<b>Operational</b>	Balancing the pressures of finite resources both internal and external to the Council	Regular engagement between relevant Clusters within the Council along with Ongoing engagement with Framework hosts, Suppliers, Procurement & Services re alternative	M	Yes

		products or delivery methods.		
<b>Financial</b>	Escalation of costs	Development of suitable price mechanisms.  Use of Business Intelligence to predict market changes/trends.  Price Increase Request Process.	M	Yes
	Differing market conditions depending on commodity/service	Market engagement/use of business intelligence to assist in predicting market changes and trends.	M	
<b>Reputational</b>	Programmes/projects being delayed or stopped	As above.	M	Yes
<b>Environment / Climate</b>	Failure to consider sustainable options due to costs.	Ensure all contracts consider environmental considerations, and early market engagement is conducted to seek market intelligence.	M	Yes