

Public Document Pack



To: Councillor McLellan, Convener; Councillor Yuill, Vice-Convener; and Councillors Allard, Cooke, Fairfull, Farquhar, Greig, Houghton, Hutchison, Macdonald, Malik, Radley and Watson.

Town House,
ABERDEEN 2 August 2023

FINANCE AND RESOURCES COMMITTEE (SPECIAL)

The Members of the **FINANCE AND RESOURCES COMMITTEE** are requested to meet in **Council Chamber - Town House on TUESDAY, 8 AUGUST 2023 at 2.00pm**. 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>

JENNI LAWSON
INTERIM CHIEF OFFICER – GOVERNANCE (LEGAL)

B U S I N E S S

NOTIFICATION OF URGENT BUSINESS

1.1. Notification of Urgent Business

DETERMINATION OF EXEMPT BUSINESS

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MINUTES OF PREVIOUS MEETING

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EXEMPT / CONFIDENTIAL APPENDICES

- 7.1. Council Financial Performance - Quarter 1, 2023/24 - Exempt Appendix (Pages 91 - 96)

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

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Should you require any further information about this agenda, please contact Mark Masson, mmasson@aberdeencity.gov.uk or 01224 067556

Finance and Resources Committee

ABERDEEN, 5 July 2023. Minute of Meeting of the FINANCE AND RESOURCES COMMITTEE. Present:- Councillor McLellan, Convener; Councillor Yuill, Vice-Convener; and Councillors Allard, Cooke, Fairfull, Farquhar, Greig, Macdonald, Malik, Massey (as substitute for Councillor Houghton), Radley and Watson.

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.

At this juncture, Councillor Malik moved as a procedural motion, seconded by Councillor Macdonald:-

That the Committee refer item 9.7 (City Centre Six Monthly Update – Streetscape Programme) simpliciter to Council to comply with Councillor Hutchison’s agreed motion in 2021 where all matters relating to the City Centre Master Plan are agreed at Council.

On a division, there voted:- for the procedural motion (5) – Councillors Farquhar, Massey, Macdonald, Malik and Watson; against the procedural motion (8) – the Convener, the Vice Convener and Councillors Allard, Cooke, Fairfull, Greig, Hutchison and Radley.

The Committee resolved:-
to reject the procedural motion.

DETERMINATION OF EXEMPT BUSINESS

1. The Convener proposed that the Committee consider item 13.1 (Union Street Partnership Ltd), item 14.1 (Workplan and Business Cases - Exempt Appendices), item 14.2 (Craighill and Kincorth Housing Delivery - Exempt Appendices) and item 14.3 (Cruyff Court Tillydrone Update - Exempt Appendix) with the press and public excluded from the meeting.

The Committee resolved:-

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 above items so as to avoid disclosure of information of the classes described in the following paragraphs of Schedule 7(A) to the Act:- article 8 of the minute of the adjourned meeting of 6 July 2023 (paragraph 6), articles 19, 20 and 21 of this minute (paragraph 8).

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DECLARATIONS OF INTEREST AND TRANSPARENCY STATEMENTS

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

- (1) the Vice Convener advised that he had a connection in relation to agenda item 9.4 (Union Street Empty Shops Grant Scheme) and 13.1 (Union Street Partnership Ltd) by virtue of him being a volunteer on Our Union Street and agenda item 9.7 (City Centre Six Monthly Update – Streetscape Programme) by virtue of him being a member of Cycling UK and the AA. Having applied the objective test, he did not consider that he had an interest and would not be withdrawing from the meeting;
- (2) Councillor Macdonald advised that she had a connection in relation to agenda item 9.4 (Union Street Empty Shops Grant Scheme) by virtue of her being volunteer Leader on Our Union Street. Having applied the objective test, she did not consider that she had an interest and would not be withdrawing from the meeting;
- (3) Councillor Cooke advised that he had a connection in relation to agenda item 9.6 (Funding External Bodies and Following the Public Pound Policy Update) and agenda item 11.1 (Reconfiguration of working arrangements with Arm's Length External Organisations (ALEOs) as an observer on Sport Aberdeen Board. Having applied the objective test, he did not consider that he had an interest and would not be withdrawing from the meeting;
- (4) Councillor Greig advised that he had a connection in relation to agenda item 9.6 (Funding External Bodies and Following the Public Pound Policy Update) by virtue of him being a Council appointed member on Aberdeen Performing Arts Board. Having applied the objective test, he did not consider that he had an interest and would not be withdrawing from the meeting;
- (5) Councillor Fairfull advised that she had a connection in relation to agenda item 9.6 (Funding External Bodies and Following the Public Pound Policy Update) and Item 11.1 (Reconfiguration of working arrangements with Arm's Length External Organisations (ALEOs) by virtue of her being a Council appointed member on Aberdeen Performing Arts Board. Having applied the objective test, she did not consider that she had an interest and would not be withdrawing from the meeting; and
- (6) Councillor Hutchison advised that he had a connection in relation to agenda item 11.1 (Reconfiguration of working arrangements with Arm's Length External Organisations (ALEOs) by virtue of him being a Director on Aberdeen Heat and Power Board. 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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PETITION - INSTALLATION OF PHYSICAL EXERCISE BARS (CALLISTHENIC STATION) IN DUTHIE PARK

3. The Committee had before it the following petition which had been submitted by Mr Eduardo GalvisGarcia:-

“To install some Physical Exercise Bars (Callisthenic Station) e.g., Dip Bars, Pull-ups bars, Monkey Bars, Wall Bars, Pummel Horse. in Duthie Park in order to help to look after the community physical & mental health as well as their budget during this cost-of-living crisis by promoting healthy lifestyle initiatives within the park without incurring on expensive fitness centre memberships. Having a callisthenic station in Duthie Park would facilitate and encourage regular physical activity. It would promote a healthy lifestyle and would be a venue for families to be active together as well as encouraging new friendships and community engagement.

During COVID-19 when gyms and leisure facilities were closed, parks became the only place where individuals could keep active. Even though there are no longer COVID 19 restrictions in place, and gyms have reopened, many individuals are still attending Duthie Park to do regular physical activity. Some choosing not to return to indoor fitness facilities, recognising the mental health benefits of being outdoors and enjoying nature. Local Government can help communities to look after their physical & mental health as well as their budget during this cost-of-living crisis by promoting healthy lifestyle initiatives within their parks. Not everyone can afford expensive fitness centre memberships.

One such initiative, is to provide/install callisthenic station equipment in Duthie park (push up bars, parallettes, etc). These fitness stations can benefit both physical and mental health. They can reduce high blood pressure, help manage weight, reduce the risk of heart disease, stroke, as well as, improving bone and muscle strength, increases balance, flexibility and fitness. Having a callisthenic station in Duthie Park would facilitate and encourage regular physical activity.

It would promote a healthy lifestyle and would be a venue for families to be active together as well as encouraging new friendships and community engagement. It is recognised that regular exercise improves mental health, promoting good mental health well-being - reducing the risk of depression, cognitive decline and delays the onset of dementia. It is also a way to encourage teenagers and youngsters to avoid sedentary behaviour and low levels of physical activity that can have negative effects on their health, well-being, and quality of life. Calisthenics exercise is not only for youngsters starting calisthenics at age 40 or 50 can help you to stay in shape and improve your overall level of fitness. Most importantly of all, this initiative is inclusive, it is for everyone. Callisthenic stations in parks offer effective cross-generational open space development with low investment compared to complex sports facilities.

They are extremely sturdy and hard-wearing with low maintenance/repairs. They are an easy to install free infrastructure e.g., Dip Bars, Pull-ups bars, Monkey Bars, Wall Bars, Pummel Horse. Callisthenics offers effective training using body weight alone rather than

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conventional gym equipment, using the practice of repetitions of movement to help build muscle whilst burning calories and improving fitness. Calisthenics can be a warm-up or cool-down for another fitness routine or sport, or it can be a workout in its own right.

There are many examples of good global government initiatives in communities where calisthenics stations have been developed within parks on this website. For instance, a good example can be seen in London, Steel Warriors Finsbury Park (13 Endymion Road, Harringay, London, N4 1EE, United Kingdom) <https://calisthenics-parks.com/spots/15357-en-calisthenics-gym-london-steelwarriors-finsbury-park>

The website below is an excellent example of an Irish company that supply the different equipment and design layout needed for a Callisthenic Station:- <https://www.outfit.ie/calisthenics>”

The Committee received a presentation from Mr GalvisGarcia and also Ms Grainne McGrath, who also responded to questions from members.

The Committee resolved:-

- (i) to note the petition and thank the petitioners for bringing the matter before the Finance & Resources Committee; and
- (ii) to agree to instruct the Chief Officer – Operations and Protective Services to prepare a report on the feasibility, options and associated costs of installing public exercise equipment at all public parks, including but not limited to Duthie Park, and report back to the Communities, Housing and Public Protection Committee on 5 September 2023.

DEPUTATIONS FROM GAVIN CLARK (ABERDEEN CYCLE FORUM) AND LIBBY HILLHOUSE (DISABILITY EQUITY PARTNERSHIP)

4. The Committee had before it a deputation by Gavin Clark, Aberdeen Cycle Forum in relation to agenda item 9.7 (City Centre Six Monthly Update – Streetscape Programme).

The Convener advised that a further deputation from Mr Hussein Patwa, Disability Equity Partnership in relation to agenda item 9.7 (City Centre Six Monthly Update – Streetscape Programme) had been received, however it was not submitted on time and was therefore not competent in terms of Standing Order 14.1 (two clear working days before the Committee meeting). He indicated that having heard the explanation from Mr Patwa in this regard and in terms of standing order 14.11, that on this occasion, he would be minded to accept the deputation on to the agenda to help facilitate discussion on this item. Furthermore, he intimated that Mr Patwa was now unable to attend the meeting today and that Ms Libby Hillhouse and Mr Graham Findlay would instead be representing the Disability Equity Partnership.

The Committee resolved:-

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to note the information provided and that the deputations would be heard immediately prior to the consideration of the report (article 13 of this minute refers).

MINUTE OF PREVIOUS MEETING OF 17 MAY 2023, FOR APPROVAL

5. The Committee had before it the minute of meeting of the Finance and Resources Committee of 17 May 2023.

The Committee resolved:-

- (i) in relation to article 10 of the minute regarding Union Terrace Gardens, to note that the Chief Officer – Corporate Landlord had still to circulate details of the public toilet opening hours to members of the Committee via email, including how this information would be articulated to members of the public; and
- (ii) to otherwise approve the minute.

COMMITTEE PLANNER

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

The Committee resolved:-

- (i) to note the reasons for the delay in relation to item 11 (Financial Settlement from Transport Scotland for the De-trunking of the A92/A96 -Haudagain Improvement), item 14 (School Estate Plan: Hazlehead/Countesswells Secondary School Provision – Outline Business Case) and item 15 (Proposals for Investment for Works at Riverbank School to Accommodate the Relocation of St. Peter's School); and
- (ii) to otherwise note the planner.

WORK PLAN AND BUSINESS CASES - COM/23/194

7. The Committee had before it a report by the Director of Commissioning which presented procurement work plans where expenditure was included for the Customer and Operations Functions for review and sought approval of the total estimated expenditure for the proposed contracts as contained in the Procurement Business Cases appended to the report.

The Procurement Business Cases related to the following:-

- Customer Experience Platform;
- Third Party Payments; and
- Recycling & Residual Waste Skips.

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The report recommended:-

that the Committee –

- (a) review the workplan as detailed in the Appendices for the Customer and Operations Functions;
- (b) approve the procurement business cases, including the total estimated expenditure for the proposed contract; and
- (c) note the content of Appendix 3 - 3.10 Memos (Exemption Urgency).

The Committee resolved:-

- (i) to approve the recommendations contained within the report;
- (ii) to note that the Head of Commercial and Procurement would circulate responses to questions relating to (1) Appendix 3 – Technical Exemptions - Hydrogen Supply Agreement; and (2) Appendix 5 – Third Party Payments; and
- (iii) to agree that the Workplan and Business Cases report be considered as the last public item on future agendas, to allow questions on the exempt appendices to follow straight after and to instruct the interim Chief Officer – Governance (Assurance) to amend future agendas accordingly.

SALE OF UNION TERRACE GARDENS GATES TO BIRKHALL ESTATE FOR REUSE - COM/23/191

8. The Committee had before it a report by the Director of Commissioning which sought delegated authority to sell a set of cast iron gates which were removed from Union Terrace Gardens as part of the refurbishment works to the Birkhall Estate for reuse in the estate gardens.

The report recommended:-

that the Committee –

- (a) delegate authority to Chief Officer - Strategic Place Planning to sell a set of cast iron gates from the dountaking from Union Terrace Gardens as part of the refurbishment works to the Birkhall Estate for reuse in the estate gardens; and
- (b) delegate authority to Chief Officer - Strategic Place Planning to sell the gates for an appropriate price. This was currently thought to be £500 given the current condition of the gates.

The Committee resolved:-

to approve the recommendations.

DENIS LAW LEGACY TRAIL - COM/23/212

9. The Committee had before it a report by the Director of Commissioning, which provided an update on Phase 1 of the Denis Law Legacy Trail and sought instruction to develop Phase 2.

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The report recommended:-

that the Committee –

- (a) approve the progression of Phase 1 of the Denis Law Legacy Trail; and
- (b) instruct the Chief Officer – City Growth to develop a business case for Phase 2 delivery of the murals, including identifying external funding opportunities, and report back to Finance and Resources Committee 22 November 2023.

The Committee resolved:-

- (i) to approve the recommendations; and
- (ii) to agree to instruct the Chief Officer – City Growth to obtain the necessary agreements from the Denis Law Legacy Trust as noted at 5.1 of the report before proceeding to spend public money on this project to include confirmation that appropriate intellectual property rights/licences for design of the trail and images licence have been agreed for phase 2 delivery of the murals, and including identifying external funding opportunities, and report back to the Finance and Resources Committee on 22 November 2023.

UNION STREET EMPTY SHOPS GRANT SCHEME - COM/23/192

10. With reference to article 18 of the minute of meeting of Council of 14 December 2022, the Committee had before it a report by the Director of Commissioning, which provided an overview of the Union Street Empty Shops Grant Scheme and sought delegated authority for relevant Chief Officers to make and approve grant awards.

The report recommended:-

that the Committee -

- (a) note the launch of the Union Street Empty Shops Grant Scheme, with objectives and conditions as detailed in the body of the report;
- (b) approve the establishment of a Review Panel for the scheme; and
- (c) delegate authority to the Chief Officer - City Growth and Chief Officer – Finance, in consultation with the Convenor of the Finance and Resources Committee, to approve grant awards up to a maximum amount of £35,000.

The Committee resolved:-

- (i) to approve the recommendations; and
- (ii) that the Chief Officer - Governance write to Councillor Malik confirming the legality of the application exclusion process.

LOCAL AUTHORITY COVID ECONOMIC RECOVERY FUND - COM/23/221

11. With reference to article 11 of the minute of meeting of the City Growth and Resources Committee of 21 June 2022, the Committee had before it a report by the Director of Commissioning which sought approval to allocate unspent monies from the Local Authority Covid Economic Recovery Fund.

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The report recommended:-

that the Committee –

- (a) award up to £35,000 to the Enhanced Business Support/Community Wealth Building support project;
- (b) award up to £60,000 to undertake feasibility of a Community Bank/Micro Credit Scheme;
- (c) award up to £105,000 to the Aberdeen City Council Events project;
- (d) award up to £50,000 to Spectra; and
- (e) delegate authority to Chief Officer - City Growth, following consultation with the Convenor and Vice-Convenor of Finance and Resources Committee, Director of Commissioning and Director of Resources, to award LACER grants of up to £25,000 for remaining LACER funds.

The Committee resolved:-

to approve the recommendations.

FUNDING EXTERNAL BODIES AND FOLLOWING THE PUBLIC POUND POLICY UPDATE - RES/23/215

12. With reference to article 8 of the minute of meeting of the Audit Risk and Scrutiny Committee of 11 May 2023, the Committee had before it a report by the Director of Resources which sought approval of the amended and updated Following the Public Pound Code of Practice.

The report recommended:-

that the Committee –

- (a) approve the updated Following the Public Pound Code of Practice as appended to the report; and
- (b) approve the Following the Public Pound Code of Practice to be amended to a Council Policy.

The Committee resolved:-

to approve the recommendations.

CITY CENTRE SIX MONTHLY UPDATE - STREETSCAPE PROGRAMME - RES/23/209

13. The Committee received two deputations from (1) Mr Gavin Clark, Chair of Aberdeen Cycle Forum and (2) Ms Libby Hillhouse and Mr Graham Findlay, Disability Equity Partnership.

Mr Clark in his presentation, outlined the aims of Aberdeen Cycle Forum and advised that they had around 600 members and made reference to the Council meeting in

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December 2022, when his fellow-campaigner, Rachel Martin was in attendance and presented to members.

He indicated that at the aforementioned Council meeting, Ms Martin pleaded not to approve plans for Union Street which did not include a segregated cycle track and that Councillors sympathised with that plea. He indicated that in the past 6 months or so, Officers and Designers were working under instruction to produce plans which would include a segregated cycle track, and that Aberdeen Cycle Forum and other stakeholders had been involved throughout that process and had the opportunity to input at various stages.

Mr Clark advised that a bi-directional cycle track on one side of the street only would not have been their first choice, but given the other constraints, they were told it was really the only feasible option for segregation. He intimated that they had accepted that compromise was required on all sides and therefore they supported the design now presented. He explained that they now had something which was in line with the Transport Hierarchy and which met current design standards.

He advised that the key was that this would create a segregated cycle track where cyclists were kept separate from vehicular traffic and separated from pedestrians indicating that it was not the whole solution to the city's transport problems, but it would be a big step in the right direction and could hopefully be the start of a high-quality network of segregated routes which would allow so many more people to use a bicycle as an everyday means of transport whether for shopping, commuting to work or education, for leisure, for fitness or just for enjoyment.

Mr Clark indicated that segregation from traffic opened up cycling to many more people who currently did not feel safe on the roads and cycling should not be the preserve of a hardened minority who were inured to cycling in traffic as he was, it should be accessible for all ages and abilities.

Mr Clark intimated that cycling could of course have multiple benefits: greater uptake of cycling contributes to improved air quality and to carbon reduction targets. He explained that increased levels of cycling had been shown to boost local economies and increase footfall in shops and that people who cycle regularly tended to be healthier and so place lower demands on the NHS, therefore most of these positives were not just for the individual on the bike, they benefitted everyone.

He advised that he understood that one of the trickiest design details to resolve had been how to route the cycle track around bus stops and the solution proposed was that a bus-stop bypass, as he called it, was also known as a floating bus stop. He explained that essentially this meant that the cycle track went behind the bus stop, and pedestrians cross the cycle way to get to the bus stop and when doing so, they had priority over cyclists. He explained that this approach would be novel to Aberdeen, but it was not new. He indicated that it was the preferred approach in Transport Scotland's design manual

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Cycling by Design (2021) and it had been used successfully elsewhere. He explained that they were ubiquitous in the Netherlands, and common elsewhere in Europe.

Mr Clark made reference to a pilot/trial scheme in Oxford Road, Manchester, for which a comprehensive review paper was published in 2016 and generally the design was found to be a success with high levels of satisfaction and low levels of conflict between users. He advised that the Transport Hierarchy clearly put the most vulnerable at the top of the pyramid, however the design proposed did include numerous mitigations to address concerns.

He intimated that there would be a learning process for all users, and equally no design would ever be perfect although he thought that the designers had gone as far as they could in making it a safe environment for everyone, and they have followed published design guidance. He explained that they could never entirely eliminate the risk of collision between a pedestrian and a cyclist, (although the Manchester trial showed the likelihood of collision was very low – there were none at all in their monitoring period) the alternative of putting cyclists back on the carriageway with buses vastly increased the risk of harm and the severity of outcome.

He indicated that there would be many design details to be resolved, not least a safe and convenient way for cyclists to cross back to the south side of the street to continue their journey as necessary.

Mr Clark advised that the city centre currently had an issue with illegal electric mopeds, which may be masquerading as cyclists but they were not, and in his view and in law, those types of users should not be on a segregated cycle track. He intimated that he did not think that was an issue which could be resolved today but thought it was worth mentioning in case members were visualising those types of user when he referred to cyclists.

In conclusion, he thanked the Council for having the courage to re-visit the plans presented in December, and those officers and designers who had worked hard to find what appeared to be the best available compromise.

Mr Clark responded to a number of questions from members.

The Committee then heard from Ms Hillhouse and Mr Findlay (North East Sensory Service), on behalf of the Disability Equity Partnership.

Ms Hillhouse advised that she was employed by NESS but was also a member of the Disability Equity Partnership and explained that they had a meeting with the City Centre Master Planning Team on Friday to explore some of the mitigations around the design of the bi-directional cycle lanes and bus bypass design which they had serious concerns about.

She indicated that the city centre should be a space for everyone including people who were blind or deaf (over 2500 people in Aberdeen known to them), and explained that 1

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in 5 of the population had some kind of disability (around 50,000 in Aberdeen) that may impact on their mobility and their confidence to get out and about, many of whom relied on public transport and do not have the freedom of choice to either access car or cycle travel.

She intimated that in relation to the bi-directional cycle lanes, they did not agree in having segregated cycle lanes and they were limited to the constraints which were available to them on Union Street, therefore having two cycle lanes across, particularly if you are visually impaired was incredibly difficult, as a visually impaired person would not be able to see a bicycle approaching and in a busy environment, not hear it and therefore someone who was hard of hearing would not be able to hear a bicycle approaching until they were very close.

She advised that depending on the design of the streets, people who were visually impaired would rely on tactile information to understand where they were in relation to what was going on around them and they questioned whether some of the design mitigations had enough tactile information to ensure people know where they were so they could keep themselves safe.

She indicated that some of the research which we had not been able to critique suggested that the incidences of conflict between cycles and people with disabilities was very low, however we were aware that it was significantly higher for people with visual impairment and it was also about the perception of risk for people who were visually impaired/deaf and hard of hearing or otherwise have another disability.

She explained that people who were visually impaired/deaf and hard of hearing had many barriers on a daily basis which they had to deal with and more likely to be dependent on public transport. She advised that Union Street was a major route through Aberdeen and an interchange place for the City, therefore not being able to see what was coming towards you and probably not being able to hear what was coming towards you caused great anxiety for people who may already be stressed and anxious and don't feel confident to get in and about a busy environment.

Miss Hillhouse advised that they believed that the bi-directional cycle lane would be putting in an additional barrier which would leave people feeling unsafe and uncomfortable to go into that area to use the public transport network down Union Street and would stop them accessing both the city centre and other parts of Aberdeen.

In conclusion, she advised that they had appreciated the engagement which they had, including many discussions with the City Centre Master Planning Team and welcomed the consultation, but they noted that there were other options available, which would require compromises, which could put pedestrians at the top of the hierarchy again. They believed that this model would put pedestrians second in the hierarchy behind the cyclist which was not what the hierarchy was intended to do and members of their community who were particularly vulnerable and social excluded would find it difficult to access the bus transport network through Aberdeen City.

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Ms Hillhouse and Mr Findlay responded to questions from members.

Having heard both deputations, the Convener on behalf of the Committee, expressed his thanks for their comments and input.

With reference to article 16 of the minute of meeting of Council of 14 December 2022, the Committee had before it a report by the Director of Resources which provided a six-month update on progress with the city centre streetscape programme (Union Street Central, Market to Guild Street and Schoolhill/Upperkirkgate).

The report recommended:-

that the Committee –

- (a) note the progress update and instruct the Chief Officer (Capital) to present an update report to this Committee pending completion of Financial Close of the Union Street Central project;
- (b) agree the inclusion of a segregated cycle lane in Union Street Central consistent with emerging proposals for Union Street East and Union Street West; and
- (c) instruct the Chief Officer (Capital) to continue engagement with key stakeholders in the development of the RIBA (Royal Institute of British Architects) Stage 4 Technical Design.

The Convener, seconded by the Vice Convener moved:-

that the Committee –

- (1) approve the recommendations contained within the report;
- (2) instruct the Chief Officer - Capital to continue to engage with stakeholder groups as the detail of the bus stop crossing design develops and is implemented on street, including involving them in monitoring and evaluation during first year of operation; and
- (3) agree the inclusion of any necessary underground infrastructure to accommodate the future erection of a signalised crossing should it be deemed appropriate following the post completion monitoring and evaluation.

Councillor Malik, seconded by Councillor Watson, moved as an amendment:-

that the Committee note the decision of Council on 13 December 2021, following a Notice of Motion by Councillor Hutchison, that all decisions relating to the Masterplan should be made by Full Council, and agrees as the Committee are being asked to determine a position at 2.1 and 2.2 of the report, to send this report to the next Council meeting to allow Full Council to debate the merits or otherwise of these recommendations.

On a division, there voted:- for the motion (8) – the Convener, the Vice Convener and Councillors Allard, Cooke, Fairfull, Greig, Hutchison and Radley; for the amendment (5) – Councillors Farquhar, Macdonald, Malik, Massey and Watson

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The Committee resolved:-

- (i) to adopt the motion; and
- (ii) to request that the Chief Officer – Strategic Place Planning circulate details of the Core Path status of Union Street and what that status would mean for those wishing to cycle

In terms of Standing Order 34.1, Councillor Malik intimated that he would like this matter to be referred to full Council in order for a final decision to be taken. Councillor Malik was supported by Councillors Farquhar, Macdonald, Massey and Watson.

CRAIGHILL AND KINCORTH HOUSING DELIVERY - RES/23/200

14. With reference to article 9 of the minute of meeting of 1 February 2023, the Committee had before it a report by the Director of Resources which provided an update on the options for the continued delivery of Council led housing projects at Craighill and Kincorth.

The report recommended:-

that the Committee –

- (a) instruct the Chief Officer – Capital to arrange for the redesign of both schemes with the Value Engineering options implemented. These options should be developed to retain the Gold Standards environmental criteria;
- (b) instruct the Chief Officer – Capital to arrange for the resubmission of new planning applications, for both sites, to take account of the value engineered options;
- (c) following approval of (b), instruct the Chief Officer – Capital to arrange for the retender of both sites;
- (d) note that the preferred approach will be to progress both sites simultaneously as single phase developments but there is an acceptance that some project phasing maybe required on one or both sites to spread the capital commitment over a number of years; and
- (e) note the necessary financial commitments that will be necessary to ensure delivery of both sites. Refer to Appendix B.

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

that the Committee approve the recommendations contained within the report.

Councillor Malik, seconded by Councillor Macdonald, moved as an amendment:-

that the Committee –

- (1) note the previous Administration's decision to allocate £250m gross to deliver 2,000 Council houses and welcomes the Partnership's commitment to deliver on the previous Administration's ambitious policy;
- (2) note a net spend of £124m has delivered or is delivering:-
 - 283 Homes in Dyce;

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- 92 Homes in Great Northern Road;
 - 369 Homes in Summerhill; and
 - 583 Homes in Bridge of Don.
- (3) approve recommendations 2.1, 2.2 and 2.3 within the report; and
- (4) instruct the Chief Officer – Capital, following the receipt of tenders, to report back to the next available Finance and Resources Committee meeting to allow members to confirm that the tenders ensure financial affordability for the HRA account.

On a division, there voted:- for the motion (8) – the Convener, the Vice Convener and Councillors Allard, Cooke, Fairfull, Greig, Hutchison and Radley; for the amendment (5) – Councillors Farquhar, Macdonald, Malik, Massey and Watson.

The Committee resolved:-

to adopt the motion.

CRUYFF COURT TILLYDRONE UPDATE - RES/23/199

15. The Committee had before it a report by the Director of Resources which sought approval to progress with the Tillydrone Cruyff Court project subject to additional funding.

The report recommended:-

that the Committee –

- (i) vire the necessary monies from the budget savings following the retender of the Replacement Riverbank Primary School project (noted previously as circa £6m) to ensure the full scope of the project can be delivered; and
- (ii) instruct the Chief Officer - Capital to complete a further procurement exercise to target delivery this financial year.

The Committee resolved:-

to approve the recommendations.

At this Juncture, the Convener proposed to suspend Standing Order 40.2 (Length of Meetings) to enable the meeting to continue beyond six hours.

The Committee agreed unanimously to suspend Standing Order 40.2.

CLUSTER RISK REGISTERS AND ASSURANCE MAPS - COM/23/213

16. The Committee had before it a joint report by the Chief Officer – Strategic Place Planning, the Chief Officer - City Growth, the Chief Officer – Finance, the Chief Officer – Capital, the Chief Officer – Corporate Landlord and the Head of Commercial and

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Procurement 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 Registers and Assurance Maps set out in appendices A to N.

The Committee resolved:-

- (i) to approve the recommendation;
- (ii) that the Chief Officer – Corporate Landlord review the scoring in relation to the condition of operational property estates (page 202 of the agenda);
- (iii) that the Chief Officer – Finance review the scoring in relation to the delivery of financial services (page 180 of the agenda); and
- (iv) that the Chief Officer – City Growth provide details to the members of the Committee in relation to why Perception of Place did not align with the Risk Appetite Statement (page 221 of the agenda).

PERFORMANCE MANAGEMENT FRAMEWORK REPORT – COMMISSIONING AND RESOURCES - COM/23/190

17. The Committee had before it a report by the Director of Commissioning which presented the status of key cluster performance measures and activity indicators relating to the Commissioning and Resources functions.

The report recommended:-

that the Committee note the performance information contained within the report appendix.

The Committee resolved:-

to approve the recommendation.

COMMEMORATIVE PLAQUE TO BBC ON BELMONT STREET - COM/23/197

18. The Committee had before it a report by the Director of Commissioning which sought approval for the erection of a commemorative plaque on 15-17 Belmont Street to mark the site of the BBC's first radio broadcast in Aberdeen.

The report recommended:-

that the Committee approve the erection of the proposed commemorative plaque at 15-17 Belmont Street, Aberdeen.

The Committee resolved:-

to approve the recommendation.

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In accordance with the decision taken at Article 1 of this minute, the following items were considered with the press and public excluded.

WORKPLAN AND BUSINESS CASES - EXEMPT APPENDICES

19. The Committee had before it exempt appendices relating to the Workplan and Business Cases report (article 7 of this minute refers).

The Committee resolved:-

to note the information contained within the exempt appendices.

CRAIGHILL AND KINCORTH HOUSING DELIVERY - EXEMPT APPENDICES

20. The Committee had before it exempt appendices relating to the Craighill and Kincorth Housing Delivery report (article 14 of this minute refers).

The Committee resolved:-

to note the information contained within the exempt appendices.

CRUYFF COURT TILLYDRONE UPDATE - EXEMPT APPENDIX

21. The Committee had before it exempt appendices relating to the Cruyff Court Tillydrone Update report (article 15 of this minute refers).

The Committee resolved:-

to note the information contained within the exempt appendix.

- **COUNCILLOR ALEX MCLELLAN, Convener**

The Convener, in terms of Standing Order 36.6, advised that he was adjourning the meeting and that it would resume on Thursday, 6 July 2023 at 2.00pm.

Finance and Resources Committee

ABERDEEN, 6 July 2023. Minute of Meeting of the FINANCE AND RESOURCES COMMITTEE. Present:- Councillor McLellan, Convener; and Councillors Allard, Bouse (as substitute for Councillor Yuill, the Vice Convener), Cooke, Fairfull, Farquhar, Greig, Hutchison, Macdonald, Malik, Massey (as substitute for Councillor Houghton), Radley and Watson.

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.

DECLARATIONS OF INTEREST AND TRANSPARENCY STATEMENTS

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

- (1) Councillor Greig advised that he had a connection in relation to agenda item 11.1 (Reconfiguration of working arrangements with Arm's Length External Organisations (ALEOs) and item 13.1 (Union Street Partnership Ltd) by virtue of him being a volunteer on Our Union Street. Having applied the objective test, he did not consider that he had an interest and would not be withdrawing from the meeting;
- (2) Councillor Cooke advised that he had a connection in relation to agenda item 11.1 (Reconfiguration of working arrangements with Arm's Length External Organisations (ALEOs) as an observer on Sport Aberdeen Board. Having applied the objective test, he did not consider that he had an interest and would not be withdrawing from the meeting;
- (3) Councillor Fairfull advised that she had a connection in relation to agenda item 11.1 (Reconfiguration of working arrangements with Arm's Length External Organisations (ALEOs) by virtue of her being a Council appointed member on Aberdeen Performing Arts Board. Having applied the objective test, she did not consider that she had an interest and would not be withdrawing from the meeting;
- (4) Councillor Macdonald advised that she had a connection in relation to agenda item 11.1 (Reconfiguration of working arrangements with Arm's Length External Organisations (ALEOs) by virtue of her being a Director on Aberdeen Heat and Power Board. Having applied the objective test, she did not consider that she had an interest and would not be withdrawing from the meeting; and
- (5) Councillor Hutchison advised that he had a connection in relation to agenda item 11.1 (Reconfiguration of working arrangements with Arm's Length External Organisations (ALEOs) by virtue of him being a Director on Aberdeen Heat and Power Board. 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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RECONFIGURATION OF WORKING ARRANGEMENTS WITH ARM'S LENGTH EXTERNAL ORGANISATIONS (ALEOS) - COM/23/218

2. With reference to article 6 (6.1) of the meeting of Council of 1 March 2023, the Committee had before it a report by the Director of Commissioning which sought approval for officers, in conjunction with our Arm's Length External Organisations (ALEOs) to carry out an options appraisal, considering all potential working arrangements and delivery models for our ALEOs.

The report recommended:-

that the Committee –

- (a) note the previous decisions of Council at its meetings on 22 August 2022 and 3 March 2023;
- (b) instruct the Chief Executive to carry out an options appraisal on all potential working arrangements with our ALEOs and develop an Outline Business Case with the output from that options appraisal, and for that Outline Business Case, accompanied by a draft project plan underpinning the preferred options(s), to be submitted to Full Council at its meeting on 11 October 2023;
- (c) instruct the Chief Executive to invite the Chief Executives of all ALEOs, or a nominated representative, to be a member of an Executive Steering Group to oversee the options appraisal and development of the Outline Business Case; and
- (d) instruct the Chief Executive to establish a working group to take forward the options appraisal and complete the outline business case, and invite ALEOs to nominate representatives to be part of that working group.

The Convener, seconded by Councillor Greig, moved:-

that the Committee approve the recommendations contained within the report.

Councillor Malik, seconded by Councillor Macdonald, moved as an amendment:-

that the Committee –

- (1) approve recommendations (a) to (c) contained within the report;
- (2) instruct the Chief Executive to establish a working group including Trade Union representation, to take forward the options appraisal and complete the outline business case, and invite ALEOs to nominate representatives to be part of that working group; and
- (3) instruct the Chief Executive as part of the instruction at recommendation 2.2 to fully consider as an option, bringing back Sport Aberdeen into Council ownership and for this option to be considered as part of the Chief Executive's option appraisals to be discussed by full Council on 11th October 2023.

On a division, there voted:- for the motion (9) – the Convener and Councillors Allard, Bouse, Cooke, Fairfull, Greig, Hutchison, Massey and Radley; for the amendment (4) – Councillors Ali, Macdonald, Malik and Watson.

The Committee resolved:-

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to adopt the motion.

PLACE BASED INVESTMENT PROGRAMME - COM/23/195

3. With reference to article 7 of the minute of meeting of 29 March 2023, the Committee had before it a report by the Director of Commissioning which sought approval for the allocation of grant funding from the Place Based Investment Programme fund 2023/24.

The report recommended:-

that the Committee –

- (a) approve an award of up to £59,657 to Northfield Youth Hub for the Building a brighter future for our young people project, subject to the approval of planning permission;
- (b) approve an award of up to £15,212 to Scottish Women’s Institute for the Archive Room project; and
- (c) does not approve the request for £9,990 from Printfield Community Project for the Including Printfield project.

The Committee resolved:-

to approve the recommendations.

UK SHARED PROSPERITY FUND - COM/23/196

4. With reference to article 8 of the minute of meeting of 29 March 2023, the Committee had before it a report by the Director of Commissioning which sought approval for the proposed allocation of grant funding of UK Shared Prosperity Fund (UKSPF).

The report recommended:-

that the Committee –

- (a) note that the application for up to £167,112 to Tillydrone Community Development Trust for the Benholm’s Tower Project, has been withdrawn;
- (b) award up to £104,000 to Aberdeen Science Centre for the Community Engagement Project;
- (c) awards up to £29,390 to the Denis Law Trail Project;
- (d) award up to £11,832 to Police Scotland for the Drugs and Alcohol Education and Resilience Project; and
- (e) award up to £103,191.60 to Absafe for the Safety Training For Aberdeen City Schools Project.

The Committee resolved:-

to approve the recommendations.

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INVEST ABERDEEN UPDATE - COM/23/214

5. With reference to article 11 of the minute of meeting of 17 May 2023, the Committee had before it a report by the Director of Commissioning which provided an update on the activities of Invest Aberdeen.

The report recommended:-

that the Committee –

- (a) note the activities of Invest Aberdeen;
- (b) instruct the Chief Officer – City Growth to work with officers in Aberdeenshire Council and regional partners to support investment promotion opportunities as noted in the report; and
- (c) instruct the Chief Officer – City Growth to circulate a service update to the Committee members by June 2024.

The Committee resolved:-

- (i) to approve recommendations (a) and (b); and
- (ii) to instruct the Chief Officer – City Growth to circulate a report to the Committee members by June 2024.

INTERNATIONAL TRAVEL (TALL SHIPS) 2023/24 - COM/23/223

6. With reference to article 4 of the minute of meeting of the Urgent Business Committee of 21 October 2022, the Committee had before it a report by the Director of Commissioning which sought approval of proposed international travel and conference attendance by officers, required to support Tall Ships 2025 activities in 2023/24.

The report recommended:-

that the Committee –

- (a) approve proposed travel as detailed below, and subject to the maximum expenditure as detailed in paragraph 4.1. All approved travel will be reviewed when event schedules and programmes become available to ensure continued adherence to the criteria in paragraph 3.8 before bookings are made:-
 - (1) One officer to attend Tall Ships Host Port Seminar in Fredrikstad, Norway between 15 and 18 July 2023 for up to three nights;
 - (2) Up to three officers to attend the Tall Ships Conference in Le Havre, France between the 16 and 19 November 2023 for up to three nights; and
 - (3) Up to three officers to attend an additional Tall Ships Host Port event in the UK in February or March 2024 for up to two nights.
- (b) delegate authority to the Chief Officer – City Growth to authorise necessary and appropriate travel documentation and associated expenditure for the travel noted in (a), provided the cost does not exceed the budget referred to in Section 4 of this report and that all arrangements are made in line with current Council travel policies;

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- (c) agree that the Chief Officer – City Growth will (1) report the outcomes of proposed for 2023/24 trips to the Tall Ships 2025 Organising Committee and (2) provide, by way of a Service Update, an annual Project Update to this Committee.

The Convener, seconded by Councillor Greig, moved:-
that the Committee approve the recommendations contained within the report.

Councillor Malik, seconded by Councillor Macdonald, moved as an amendment:-
that the Committee –

- (1) agree the recommendations contained within the report, noting that two officers attended the Sail Training International (STI) Annual conference in Gran Canaria on 19 November 2022; and
- (2) agree that as part of the next budget process, instruct the Chief Officer – City Growth to make Council aware of how much of the proposed £2.7m financial spend on taking the Tall Ships to Aberdeen is to be the responsibility of the Council and how much is to be the responsibility of our partners.

On a division, there voted:- for the motion (8) – the Convener and Councillors Allard, Bouse, Cooke, Fairfull, Greig, Hutchison and Radley; for the amendment (5) – Councillors Ali, Macdonald, Malik, Massey and Watson.

The Committee resolved:-

to adopt the motion.

DEVELOPMENT PLAN SCHEME AND DRAFT PARTICIPATION STATEMENT - COM/23/193

7. The Committee had before it a report by the Director of Commissioning which presented the first Development Plan Scheme for the fourth Aberdeen Local Development Plan, and a Draft Participation Statement.

The report recommended:-

that the committee –

- (a) approve the content of the Development Plan Scheme and Draft Participation Statement (Appendix 1) and instruct the Chief Officer – Strategic Place Planning to, subject to any minor drafting changes, publish the Development Plan Scheme and Draft Participation Statement for an eight-week period of public consultation, seeking comment only upon the Draft Participation Statement; and
- (b) instruct the Chief Officer – Strategic Place Planning to report the results of the public consultation and any proposed revisions to the Draft Participation Statement to this Committee on 22 November 2023.

The Committee resolved:-

to approve the recommendations.

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In accordance with the decision taken at Article 1 of the minute of meeting of 5 July 2023, the following item was considered with the press and public excluded.

At this juncture Councillor Macdonald left the meeting and was substituted by Councillor Bonsell.

UNION STREET PARTNERSHIP LTD - COM/23/222

8. With reference to article 18 of the minute of meeting of Council of 4 December 2022, the Committee had before it a report by the Director of Commissioning which provided details in relation to Union Street Partnership Ltd.

The report recommended:-

that the Committee –

- (a) note the creation of Union Street Partnership Ltd (company no. SC753595);
- (b) instruct the Chief Officer - City Growth following consultation with the Convener and Vice Convener of the Finance and Resources Committee and Chief Officer - Governance, and subject to agreement with the company, to arrange on an ongoing basis for there to be an Elected Member appointed as an observer at board meetings of the company (a board observer);
- (c) in respect of the Council budget decision of 1 March 2023 to approve the use of £100,000 over the next three years to support the regeneration of Union Street, Aberdeen, authorises the Chief Officer – City Growth, following consultation with the Convener of the Finance and Resources Committee, to allocate that sum to the company for specified activity in fulfilment of that regeneration purpose; and
- (d) instruct the Chief Officer - City Growth to arrange for the Council to enter into any legal documentation necessary to implement the recommendations above.

The Committee resolved:-

- (i) to approve the recommendations; and
- (ii) that in relation to recommendation (b), agrees to appoint Councillor Alex McLellan as the Aberdeen City Council representative to take up the position as board observer.

- COUNCILLOR ALEX MCLELLAN, Convener

FINANCE AND RESOURCES COMMITTEE BUSINESS PLANNER									
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.									
1	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									
3			8 August 2023 (Special)						
4	Council Financial Performance - Quarter 1, 2023/24	to present the Council Financial Performance - Quartely report to Committee for consideration.		Lesley Fullerton	Finance	Resources	1.1		
5			13 September 2023						
6	Fleet Replacement Programme (Annual Report)	To present the current position of the programme for Fleet Vehicles and Assets		John Weir	Operations and Protective Services	Operations	1.1.6		
7	Work Plan & Business Cases	To seek approval of the estimated expenditure on the procurement business cases.	There may not be a need to present a report for each meeting, this would be dependent on submission of business cases required.	Mel Mackenzie	Commercial and Procurement	Commissioning	1.1.5 & 1.1.6		
8	School Estate Plan: Northfield ASG Primary Schools Excess Capacity - Outline Business Case	To seek approval of an outline business case for reducing the number of primary schools in the Northfield ASG, as detailed in the School Estate Plan		Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
9	School Estate Plan: Oldmachar ASG Primary Schools Excess Capacity - Outline Business Case	To seek approval of an outline business case for reducing the number of primary schools in the Oldmachar ASG, as detailed in the School Estate Plan		Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
10	Capital Programme Delivery: Projects Update	The purpose of this report is to summarise the general progress of delivery of key capital expenditure projects identified within the approved Capital Programme from the General Fund and Housing Revenue Accounts		John Wilson	Capital	Resources	1.1		

	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									
11	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	A Service Update was circulated on 25/8/22 This will be reported once ongoing discussions with Scottish Water are concluded (updated provided by David Dunne on 25/10/22)	Claire Royce	Operations and Protective Services	Operations	3.2 & 3.3		
12	UK Shared Prosperity Fund	The Committee on 29/3/23 agreed to note the officer review outcome in relation to the Lemon Tree Redevelopment – Design Development proposals and instructs the Chief Officer – City Growth to report back to the Finance and Resources Committee by September 2023 with details of work done to support Aberdeen Performing Arts in identifying alternative sources of funding.		Stuart Bews	City Growth	Commissioning	1.1.8, 1.1.11 & 3.4		
13	Complex Care - Full Business Case	The Committee on 29/3/23 agreed to instruct the Chief Officer – Capital to progress to Full Business Case and to report back the outcome to this Committee on 13 September 2023		Kay Diack/John Wilson	Capital	Resources	1.1.4		
14	Commercial Property Auction - Former St Peters Nursery, The Hollies, 43 King's Gate	The Committee on 17/5/23 agreed to instruct the Chief Officer - Corporate Landlord to carry out a pilot project to dispose of the asset noted within the report through a commercial property auction route and report the outcome to a future committee.		Stephen Booth	Corporate Landlord	Resources	4.1 & 4.4		
15	Financial Settlement from Transport Scotland for the De-trunking of the A92/A96 (Haudagain Improvement)	Following the new link road opening in 2022 the report will outline the financial settlement from Transport Scotland for the detrunking of the old section of the Trunk Road, relative to the new Haudagain improvement which was handed back to ACC on 1/4/2023.		Neale Burrows	Operations and Protective Services	Resources	1.1.18 & 1.1.19	D	Transport Scotland have yet to provide the settlement for the A92 de-trunking due to the Haudagain Improvement. This settlement had been due for a number of months. The most recent update from Transport Scotland has delayed this further until August and as such it would be preferred to delay until the next committee cycle

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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									
16	School Estate Plan: Hazlehead/ Countesswells Secondary School Provision - Outline Business Case	To seek approval of an outline business case for establishing new secondary school provision for Hazlehead and Countesswells, as detailed in the School Estate Plan	The Committee on 5/7/23 agreed to defer this item for the following reason outlined in the planner:- Work on the OBC is progressing well within the overall New Schools Programme however the timeline to present the project to OBC stage will take longer than originally anticipated. A service update will be provided to members prior to the meeting on 13/09/23	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
17	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> <p>Education Operational Delivery Committee on 8th September 2022 agreed to instruct the Chief Officer Capital to submit the refurbishment of the Riverbank School building project as a priority project for LEIP phase 3 funding and to report back to the Education and Children's Services Committee with an update on the outcomes of the funding bid and recommendations on next steps.</p>	The Committee on 5/7/2023 agreed to defer this item for the following reason outlined in the planner:- No further update on Phase 3 of the Learning Estates Investment Programme funding has been announced therefore a service update will be provided to members prior to the meeting on the 13/09/23.	Andrew Jones/Maria Thies	Corporate Landlord	Resources	1.1, 1.1.4, 1.1.9 & 4.1		
18			22 November 2023						
19	Work Plan & Business Cases	To seek approval of the estimated expenditure on the procurement business cases.	There may not be a need to present a report for each meeting, this would be dependent on submission of business cases required.	Mel Mackenzie	Commercial and Procurement	Commissioning	1.1.5 & 1.1.6		
20	School Estate Plan: Harlaw Academy Condition & Suitability Improvements - Outline Business Case	To seek approval of an outline business case for making improvements to the condition and suitability of the Harlaw Academy building, as detailed in the School Estate Plan		Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		

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2									
21	School Estate Plan: St Machar Academy Outdoor Space Improvements (Modular Classroom Buildings) Condition & Suitability - Outline Business Case	The EODC on 08/09/22 agreed to instruct the Chief Officer – Corporate Landlord to make arrangements to carry out a feasibility study to consider the options for the removal of unused modular classroom buildings at St Machar Academy, and for carrying out general improvements to the outdoor space at the school, and to present a costed outline business case to the Finance and Resources Committee for consideration.		Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
22	School Estate Plan: Ferryhill School Condition & Suitability Improvements Outline Business Case	To seek approval of an outline business case for making improvements to the condition and suitability of the Ferryhill School building, as detailed in the School Estate Plan		Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
23	Capital Programme Delivery: Projects Update	The purpose of this report is to summarise the general progress of delivery of key capital expenditure projects identified within the approved Capital Programme from the General Fund and Housing Revenue Accounts		John Wilson	Capital	Resources	1.1		
24	Council Financial Performance - Quarter 2, 2023/24	to present the Council Financial Performance - Quartely report to Committee for consideration.		Lesley Fullerton	Finance	Resources	1.1		
25	Performance Management Framework Report – Commissioning and Resources	To present Committee with the status of key cluster performance measures and activity indicators relating to the Commissioning and Resources functions		Alex Paterson/Louise Fox	Data & Insights	Customer	2.1.3		
26	Annual Committee Effectiveness Report	To present the Annual Committee Effectiveness Report		Mark Masson	Governance	Governance	GD 8.5		
27	Torry Heat Network	The CG&R Committee on 21/9/22 agreed to (1) authorise the Chief Officer Corporate Landlord to enter into commercial discussions with Grampian Housing Association with regard to the potential supply of heat to their proposed mixed-use re-development of the former Victoria Road school, and report the outcome to a future meeting of this committee; and (2) authorise the Chief Officer - Corporate Landlord to enter into commercial discussions with Ark Housing Association with regard to the potential supply of heat to their Balnagask Court premises and report the outcome to a future meeting of this committee.	The Committee on 1/2/23 noted that The Design works for the delivery of the design of Phase 2 of the Torry Heatnetwork is being progressed at this time. Delivery costs and Pricing is subject to more detail being available to allow commercial discussions with the 3rd parties mentioned. It is intended to Report the outcome of this to Committee in late 2023.	Stephen Booth	Corporate Landlord	Resources	4.1		

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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									
28	Denis Law Trail	The F&R Committee on 5/7/23 agreed:- (1) to instruct the Chief Officer – City Growth to develop a business case for Phase 2 delivery of the murals, including identifying external funding opportunities, and report back to Finance and Resources Committee 22 November 2023; and (2) to instruct the Chief Officer – City Growth to obtain the necessary agreements from the Denis Law Legacy Trust as noted at 5.1 of the report before proceeding to spend public money on this project to include confirmation that appropriate intellectual property rights/licences for design of the trail and images licence have been agreed for phase 2 delivery of the murals, and including identifying external funding opportunities, and report back to the Finance and Resources Committee on 22 November 2023.		Laura Paterson	City Growth	Commissioning	1.1.4		
29	Development Plan Draft Participation Statement	The Committee on 6/7/23 agreed to instruct the Chief Officer – Strategic Place Planning to report the results of the public consultation and any proposed revisions to the Draft Participation Statement to this Committee on 22 November 2023.		John Todd	Strategic Place Planning	Commissioning	3.3		
30			2024						
31	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	1.1		
32	School Estate Plan: Victorian School Building Improvements - Outline Business Case	To seek approval of an outline business case for making improvements to the condition and suitability of Victorian school buildings, as detailed in the School Estate Plan	TBC - May 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
33	School Estate Plan: Sunnybank School relocation of additional services - Outline Business Case	To seek approval of an outline business case for relocation of additional services currently accommodated at Sunnybank School, as detailed in the School Estate Plan	TBC - May 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
34	School Estate Plan: Denominational Primary Schools	To seek approval of an outline business case for considering future arrangements for denominational primary school provision, as detailed in the School Estate Plan	TBC - July 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		

	A	B	C	D	E	F	G	H	I
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2									
35	School Estate Plan: Loirston Loch Primary School Provision - Outline Business Case	To seek approval of an outline business case for establishing new primary school provision for Loirston Loch, as detailed in the School Estate Plan	TBC - July 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
36	School Estate Plan: Grandhome / Oldmachar / Bridge of Don Secondary School Provision - Outline Business Case	To seek approval of an outline business case for future secondary school provision for Grandhome, Oldmachar and Bridge of Don, as detailed in the School Estate Plan	TBC - September 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
37	School Estate Plan: Bucksburn and Dyce Secondary School Provision - Outline Business Case	To seek approval of an outline business case for future secondary school provision for Bucksburn and Dyce, as detailed in the School Estate Plan	TBC - September 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
38	Vacant Units on Union Street Action Plan	Council on 14/12/22 agreed to instruct the Chief Officer - City Growth to report back on progress of the plan to the Finance and Resources Committee in early 2024.	TBC - Early 2024	Richard Sweetnam	City Growth	Commissioning			
39	Public Art Guidance and Panel	The F&R Committee on 7/12/22 agreed to review the process after 12 months of operation and to report back to this committee after 12 months.	TBC - Early 2024	Elsbeth Winram	City Growth	Commissioning	2.1.2		
40	Events Plan	The F&R Committee on 1/2/23 agreed to instruct the Chief Officer - City Growth to re-convene the Event 365 Group as outlined in Section 3.19-3.21 in this report and to report annually to this Committee on the progress to implement the Event Plan	Early 2024	Matthew Williams	City Growth	Commissioning	2.1.2 & 3.2		
41	Hazlehead/Countesswells Secondary School	Council at the Budget Meeting on 1/3/23 agreed to instruct the Chief Officer - Corporate Landlord to progress the new Hazlehead/Countesswells Secondary School to an Outline Business Case and to report back to the Finance and Resources Committee by the end of the financial year 2023/24	TBC - Early 2024	Stephen Booth	Corporate Landlord	Resources			
42	Review of all Grants Awarded by the Council - Alignment to 3 Tier Prevention Approach	Council at the Budget Meeting on 1/3/23 agreed to instruct the Director of Commissioning to undertake a review of all grants awarded by the Council in order to ensure alignment to the 3 Tier Prevention Approach, which included the Family Support Model, as per the Prevention Report and to report back to the Finance and Resources Committee before the end of the financial year 2023/24.	TBC - Early 2024	Gale Beattie		Commissioning			

	A	B	C	D	E	F	G	H	I
	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
2									
43	Aberdeen City Business Charter Review	Council at the Budget Meeting on 1/2/23 agreed to instruct the Chief Officer - City Growth to undertake a review of the Business Charter and report back to the Finance and Resources Committee before the end of the financial year 2023/24.	TBC - Early 2024	Richard Sweetnam	City Growth	Commissioning			
44	Christmas Village Feedback Report	The Committee on 29/3/23 agreed to instruct the Chief Officer – City Growth to report back to the Finance and Resources Committee in March 2024 with the evaluation report of the 2023 event.	TBC - March 2024	Matthew Williams	City Growth	Commissioning	2.1 & 3.2		
45	Newhill Additional Primary School	The F&R Committee on 17/5/23 agreed to instruct the Chief Officer – Corporate Landlord to report back to a future meeting of the Finance and Resources Committee in 2024 with the Full Business Case	TBC - 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
46	Invest Aberdeen Update	The F&R Committee on 6 July 2023 agreed to instruct the Chief Officer – City Growth to circulate a report to the committee members by June 2024.	TBC - By June 2024	Joel Evans	City Growth	Commissioning	2.1.1 & 3.4		
47			TBC						
48	Developer Obligations - Asset Plans	<p>The CG&R Committee on 26/09/19 agreed to note that the Chief Officer – Strategic Place Planning would undertake the consultation on the draft Asset Plan template as outlined within this report and report the outcomes to a future meeting of this committee.</p> <p>Council on 10/03/21 agreed that given the significant impact on the development industry in the last 12 months, to instruct the Chief Officer - Strategic Place Planning to report to the City Growth and Resources Committee by the end of 2021 on the legally binding developer obligations that have been signed with the Council</p> <p>The CG&R Committee on 3/2/22 agreed to defer this.</p> <p>The recent publication of the Draft National Planning Framework 4 (NPF4) and draft Development Plan Regulations, building on the provisions of the Planning (Scotland) Act 2019, and associated proposed infrastructure levy, may now have superseded the proposals to develop asset plans. In the absence of a clear route forward it is recommended to provide a service update when more information is known on the Scottish Governments position on the current consultations and the possible introduction of an infrastructure levy.</p>	National Planning Framework 4 was just published in February 2023, officers are looking at the implications of that in relation to Developer Obligations and the yet to be defined Infrastructure Levy including in the planning Act. (update provided by David Dunne for the 29/3/23 meeting)	David Dunne/James Welsh	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									
	Ness Landfill Site - Use as a Solar Farm	The F&R Committee on 7/12/22 noted that as reported to The CG&R Committee on 21/6/22 the JV are still considering options for the site of the hydrogen production and refuelling facility. No proposal has yet been agreed by the Hub Board. an update will be provided by service update when this is agreed. Solar Park Proposal - Commercial discussions continue between the JV and the Council into the establishment of a solar park at Ness landfill site. the outcome of these discussions, assuming and agreement is reached, will be reported to the next committee.	The Heads of Terms for the lease of the Ness landfill site for use as a solar farm are well advanced, although subject to an Independent Joint Valuation to establish Market Rental value and further technical appraisal. (update provided by Stephen Booth for 1/2/23 meeting)	Stephen Booth	Corporate Landlord	Resources			
49									
50									

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	8 August 2023
EXEMPT	No, except Appendix 5 (Paragraph 6 – Financial Affairs, Local Government (Scotland) Act 1973 Schedule 7A)
CONFIDENTIAL	No
REPORT TITLE	Council Financial Performance – Quarter 1, 2023/24
REPORT NUMBER	RES/23/255
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Lesley Fullerton
TERMS OF REFERENCE	1.1

1. PURPOSE OF REPORT

- 1.1 To provide the financial position of the Council as at Quarter 1 (30 June 2023) and the full year forecast position for the financial year 2023/24, including:
- General Fund and Housing Revenue Account (HRA) and capital accounts; and associated Balance Sheet; and
 - Common Good revenue account and Balance Sheet

2. RECOMMENDATION(S)

That the Committee :-

- 2.1 Note the 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 £0.733m reduction in cash balances due to investment volatility;
- 2.3 Note that the General Fund full year forecast position remains very uncertain at this time and subject to the successful implementation of actions as per Appendix 2 and no further financial shocks, then a full year outturn position of 'on budget' is anticipated;
- 2.4 Note that financial resilience to mitigate the risks of overspending is underpinned by the resources available on the Council Balance Sheet and General Fund Reserves in particular. As at 31 March 2023 the uncommitted value of those reserves was £12m, the minimum that the Council Reserves Statement recommends and as approved by the Council.

- 2.5 Note that the HRA full year forecast position, as detailed in Appendix 2, is on target to achieve the approved budget;
- 2.6 Note that the Council relies on the Integration Joint Board (IJB) achieving a balanced budget, and that the IJB retains reserves to mitigate unplanned additional costs arising during the year;
- 2.7 Note that the forecast for General Fund Capital budget is that it will be lower than its revised budget and Housing Capital expenditure will be on budget in 2023/24 as described in Appendix 2;
- 2.8 Note that due to the prevailing market conditions of high inflation and supply chain volatility, and the requirements of the Prudential Code for the Council to manage capital investment through a programme that is prudent, affordable and sustainable, the Chief Officer – Capital will present a review of the General Fund Capital Programme to this Committee in September. In conjunction with individual reports on capital business cases, that report will demonstrate our approach to value for money and to ensure that external scrutiny is robustly evidenced; and
- 2.9 Approve the write off of debt as noted in Appendix 5.

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 2023/24 on 1 March 2023 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 2023 and the forecast financial position for the full year for the Council's General Fund, Housing Revenue Account and Common Good.
- 3.3 Across the General Fund the impact of global, national, and local conditions is having local implications for 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 started by the Russian invasion of 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 considered in the financial forecasts. The financial year 2022/23 included some of the most significant financial market turbulence seen for years, with the cost of government borrowing rising and interventions by the Bank of England. The consequence of all these factors is that capital investment is getting more expensive and the Council needs to consider the choices it makes, to fund increasingly expensive capital works or to fund

increasingly expensive service delivery. Taking opportunities to reduce or slow down the capital programme will have the benefit of reducing the financing costs as well as the revenue implications of assets becoming operational.

- 3.5 A specific example of the current operating environment is the number for families arriving in the city, either through the Ukrainian resettlement programme or through students (arriving with their families) from outside the UK coming to study at the two universities following a hiatus during Covid. This has pushed pupil numbers up in our schools to new levels. Funding is available through the resettlement schemes from UK and Scottish Governments, and it is encouraging that funding is now being received to pay for our bespoke resettlement activities for Ukrainians, but also to support general service delivery, such as Education, that have experienced significantly increased demand this year. There are no funding streams related to students and their families arriving in the city.
- 3.6 The appendices show that the IJB is forecasting a balanced position as at Quarter 1. The Board 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.
- 3.7 In Appendix 2 the challenges of balancing the General Fund budget across the year are explained in detail, however achieving a balanced position is not without its uncertainty. To mitigate this the Corporate Management Team have reiterated the need for increased scrutiny of all costs.
- 3.8 The Establishment Control Board (ECB) is implementing key controls:
- i. Robust Recruitment Freeze. This will mean that only essential posts are recruited to when a vacancy arises.
 - ii. Agency Freeze. The use of agency workers should only be used for a short-term need, on average up to 13 weeks. The ECB will implement tighter controls where all agency requests must be supported by the relevant Chief Officer and then passed to the ECB for consideration. People and Organisational Development (P&OD) will also undertake a review of current agency to seek assurance that the council is only using agency for short term essential need.
 - iii. Overtime Freeze. Overtime is currently approved at service manager level. Like (ii) above, all future overtime requests will require the support of Chief Officer. Overtime requests should only be used for emergency-type need where the resource requirement is not planned. Again, P&OD will review current overtime usage and work with the business to ensure that it is being used effectively.
- 3.9 Due to the continued uncertainty of the fiscal environment and the recognition of new service demand entering our system, further controls will be implemented to effectively manage non-essential spend and control additional spending resulting from unplanned demand. Demand Management Control Board controls and a review of authorisation and approval processes will focus

attention on reducing expenditure on the goods and services we have to purchase.

- 3.10 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.
- 3.11 As last year, the risk of pay negotiations continues for 2023/24 with pay deals not yet finalised. The teaching unions agreed a two year pay deal for 2022/23 and 2023/24 that runs until 31 July 2024 so the costs for 2023/24 are now certain and additional funding is being provided by Scottish Government to meet the costs. However, the remaining employee bargaining groups have not concluded and while a pay award was offered some months ago the Trade Unions are still consulting with their members, with recommendations to reject the current offer. That offer would cost local government 5.5% in 2023/24 and is currently offering 5% increase from April 2023, with a further, variable, uplift from January 2024.
- 3.12 While this offer is not accepted and until these negotiations are resolved there remains significant risk of potentially unfunded additional cost to the Council, with the consequential impact of additional financial burden arising in 2023/24 on a recurring basis. The Council would have to rely on its Balance Sheet and usable reserves if Contingencies are fully utilised during the year.
- 3.13 The Capital Programme spend being lower than budget, primarily due to the pausing of some sites/projects but also the delays in 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 being monitored by this Committee, and the Chief Officer – Capital will further review the options for reprofiling the Capital Programme in their next report in September.
- 3.14 The Housing Revenue Account and the associated Housing Capital Programme are both forecasting to be on budget, although it is likely that capital spending may be lower than forecast due to the prioritisation of work on voids shifting resources from capital to revenue works.
- 3.15 Operationally the Common Good is expected to be in line with budget. The investment of cash balances in a Multi-asset Income Fund has been put in place with Fidelity as the fund manager since 2021. This continues to deliver the level of income the Common Good was expecting, however the value of the underlying investment has fallen by £5.8m since outset. 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.
- 3.16 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 2023 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 2023 is positive as the profile of income from Scottish Government supports expenditure levels.

The Balance Sheet figures at 30 June 2023 show an overall net worth of the Council of £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 2023 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, subject to no financial shocks emerging and with instruction to budget managers to delay, reduce, stop expenditure where possible and ECB controls being tightened. This aims to mitigate the risks however the use of earmarked reserves provides the assurance that the General Fund would have the in-year resilience to rely on. The Council will continue to manage cost pressures across the whole portfolio of services with all other revenue accounts 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 2023 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 Quarter 1 and in the absence of Quarter 1 information the latest 2023/24 data 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:

Revenue	2023/24 Budget £'000	2023/24 Forecast (Surplus) / Deficit exc. Group £'000	Variance (Under) / Over Budget £'000
General Fund	0	0	0
HRA	(500)	(500)	0

Common Good	0	0	0
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4.2 The capital position can be summarised as follows:

Capital	2023/24 Budget £'000	2023/24 Forecast Expenditure £'000	Variance (Under)/ Over Budget £'000
General Fund	240,769	201,491	(39,278)
HRA	159,015	159,015	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 2023/24 financial position, including details of the movement between Reserves.

4.5 The usable reserves have moved as follows:

Usable Reserves	Balance at 31 March 2023 £'000	Balance at 30 June 2023 £'000	Movement £'000
General Fund	(85,928)	(176,975)	(91,047)
HRA	(15,715)	(20,918)	(5,203)
Statutory & Other	(53,901)	(54,618)	(717)
Total	(155,544)	(252,511)	(96,967)

4.6 The writing off the unrecoverable debts, as noted in Appendix 5, has been fully provided for as part of the annual accounts processes. This means there will be no impact on the General Fund Budget for 2023/24.

4.7 In the first quarter, under delegated powers the Chief Officer – Finance gave approval for school meal debt of £236,518.54 to be written off. This follows a detailed process of review of debt levels, free school meals, system and procedures being updated, that determined the Council had uncollectable debt. The amount written off was fully provided for as part of the 2022/23 annual account process. This does not have an impact on the General Fund Budget forecast for 2023/24. New systems and processes have been implemented for 2023/24.

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.

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?
Strategic Risk	Failure to manage Council finance and resources could lead to failure to achieve strategic objectives.	Robust financial reporting and monitoring activities, combined with a rigorous financial planning process as 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.	M	Yes
Compliance	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
Operational	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
Financial	The main financial risk the Council	Reviewing all areas of expenditure with a view to only incurring	M	Yes

	<p>is managing is the supply chain and inflation impact on costs.</p> <p>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.</p> <p>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).</p>	<p>essential expenditure. Forecasts have taken account of known implications Regular reporting and action taken where appropriate.</p> <p>Quantification and review of indicative projects costs by suitable qualified staff or external body, where appropriate. Review of Capital Programme is being carried out and will be reported to the September meeting of F&R Cttee.</p> <p>Having approved the implementation of the fiscal flexibility for service concessions, this will provide a source that will enable the funding of VSER costs.</p>	<p>M</p> <p>H</p>	<p>Yes</p> <p>Yes</p>
Reputational	<p>There is a risk that through the reduction of expenditure the Council may be criticised that spending isn't in line with public expectation</p>	<p>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</p>	<p>M</p>	<p>Yes</p>

	of service delivery.	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.		
Environment / Climate	None identified			

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
	Impact of Report
Aberdeen City Council Policy Statement	The proposals in this report have no impact on the Council Delivery Plan
<u>Aberdeen City Local Outcome Improvement Plan</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
Regional and City Strategies	The proposals in this report have no impact on Regional and City Strategies

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Full impact assessment not required
Data Protection Impact Assessment	not required
Other	not required

10. BACKGROUND PAPERS

None

11. APPENDICES

Appendix 1 – Financial Statement for the period ending 30 June 2023

Appendix 2 – Forecast Financial Position for the year 2023/24

Appendix 3 – Common Good Financial Statement for the period ending 30 June 2023

Appendix 4 – Group Entities Forecast Financial Position for the year 2023/24

Appendix 5 – Unrecoverable Debt – Prezzo, Marischal Square

12. REPORT AUTHOR CONTACT DETAILS

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**FINANCIAL STATEMENT
FOR THE PERIOD ENDING
30 JUNE 2023**

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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 2023.

Combined with Appendix 2, it also provides an insight into the expected financial performance for the remainder of the financial year 2023/24, 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. The rigour of being an issuer of Bonds on the London Stock Exchange (LSE) has placed an increased level of regulation around council finances. 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 February 2023 affirming a rating of 'A1 with a negative outlook'. Moody's most recently reviewed the UK sovereign rating on October 2022, publishing a rating of 'Aa3 with a negative outlook'. Due to the relationship between UK and the Council ratings it meant that the Council rating was automatically updated to 'A1 with a negative outlook', one notch below UK Government.

The Council's independent external auditors, Audit Scotland are currently in the process of finalising the audit of the 2022-23 Annual Accounts. These will be approved at a special meeting of Audit, Risk & Scrutiny Committee on 15 August 2023. As shown in the draft accounts the outturn position achieved as at 31 March 2023 was in line with forecasts, carrying forward a large value of grant funding both for Covid pandemic recovery and dispersal and settlement of people from Ukraine, Syria and Afghanistan. While the balance sheet was therefore underpinned by substantial Usable Reserves most of this is allocated toward supporting specific activities and hence the importance of in-year recurring funding that underpins core services.

As at 1 April 2023 the Council held Usable Reserves of £156 million and had a Net Asset Value of £1.5 billion.

The Council set its 2023/24 budgets on 1 March 2023, 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 5% and agreement to use fiscal flexibilities, but fundamentally will rely on reducing staff costs, through voluntary processes – attrition and voluntary severance and early retirement opportunities.

The General Fund budget took account of a range of pay and price inflation pressures, in particular the pay award of c.3%, which was broadly in line with other Councils in Scotland but was considerably lower than the increase that has been claimed by Trade Unions.

The teachers' pay award for 2023/24 has been agreed and is funded in part by an increase in Scottish Government grant, with additional funding also underpinning the current offer from Cosla to the non-teaching Trade Union pay bargaining groups. Unions have balloted members, and the outcome of these ballots are not yet known.

Proposals to make use of the Scottish Government approved fiscal flexibility to restructure the service concession payments, to manage the cost of voluntary severances and early retirements, were included in the budget and will be implemented during 2023/24.

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 and pupil support numbers across Scotland.

Since the budget was approved the spectrum of difficulty that our financial environment continues to face has increased further. While the impact of the Covid pandemic is less obvious, citizen and customer behaviour continues to result in lower income levels. Global factors, including the Russian invasion of Ukraine, energy inflation, commodity availability and price inflation, alongside the rising cost of borrowing has caused and is sustaining a cost of living crisis for those who live, work and visit the city, as well as for the Council.

Whilst the rate of inflation and RPI fell slightly in June 2023, the situation remains critical as high inflation is impacting on the costs of supplies and services, fuel, and energy.

As a result of the turmoil in the financial markets in 2022/23 there has been an increase in the cost of government borrowing, increasing borrowing rates for individuals, businesses, and the public sector at large, with local authorities seeing significant increases in borrowing rates through the PWLB, and while rates spiked in September 2022 to rates not seen since 2007, as at 30 June the borrowing rates were similar to those last experienced in May 2011.

The city is hosting many new families and welcomed them to Aberdeen. From Ukraine, in particular, resettlement schemes have developed over the last year and while funding of a one-off nature has been provided by UK and Scottish Governments our costs have risen particularly in providing education, and children and families services. Further cost is being experienced from the rise in international students attending the two Universities, and their families, with over 2,500 children enrolling for the first time during the school session 2022/23.

The cost of new borrowing is rising and with inflation and construction inflation at very high levels also being key factors, the Council should expect the future cost of capital investment to rise substantially for both the General Fund and the Housing Revenue Account.

The Housing Revenue Account budget was approved and as agreed at the Council meeting on 1 March 2023 there was a rent increase of 4% agreed.

Our Financial Performance: General Fund

Performance in Quarter 1

In March 2023, the Council set its General Fund and Housing Revenue Account (HRA) revenue and capital budgets for the financial year 2023/24. 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 2023 presented in the format of our Annual Accounts on pages 6 to 13.

Staffing Costs:

As part of our 2023/24 budget, it was recognised that our payroll bill needed to reduce. The levers to deliver this was mainly turnover and through our current Voluntary Severance and Early Retirement (VSER) policy. Importantly managers are supported to redesign services with a reduction of resources as well as looking at automation and process improvements to remove work.

To monitor this, an Establishment Control Board (ECB) oversees all recruitment and VSER requests and monitors the level of people leaving the council (turnover) and people newly joining the council (new starts). Through this monitoring it is evident that the turnover and new starts are almost balancing each other out meaning that we are not experiencing a reduction in our payroll. Furthermore, the number of staff seeking VSER, and subsequently being approved is less than was forecast or assumed in the budget.

The evidence and experience so far this year is reflected in additional spending across services but may not yet be obvious, in part because the pay award for non-teaching staff has not yet been agreed therefore expenditure on a very large element of the budget is substantially lower to this point, backdated costs attributable to Quarter 1 will in due course increase the total cost.

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. Children's and Family Service

Although at 25% against the full year budget the service is forecasting a significant overspend for the full year. Pressure in respect of the cost of providing education to rising numbers of pupils and children social work services, including Out of Authority placements (OOA) are being identified as ongoing challenges.

The Public Health restrictions of the last few years, downturn in the local economy and increased costs being experienced by families, is impacting on the needs of children and families. There is a notable rise in vulnerability and need and this is increasing demand for more specialist services. As would be anticipated, there is a level of need apparent in those seeking sanctuary in the city.

It is exceptionally difficult to predict ongoing demand with any certainty. Hotels can be secured for asylum dispersal schemes at short notice with limited information about the age and stage of those being placed locally. Services continue to be proactive in their response.

2. Resources

At 14% against the full year budget, the function's net expenditure for the year is below budget. The function has a budget where a significant proportion relates to capital projects therefore variances occur throughout the year depending on when project work is carried out. Within the function there are ongoing concerns regarding the cost of materials and parts in Fleet Services which are the subject of inflationary pressures and less than expected income for car parking.

3. Customer

At 25% against the full year budget, the function's net expenditure for the year to date is on budget. Across the function most services are showing small underspends at this stage of the year.

4. Commissioning

At 28% against the full year budget, the function's net expenditure for the year is above budget. This relates to under recovery of income for building & planning applications as well as overspends on staffing all of which has been reflected in the full year outturns.

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

The function's net expenditure is 22% which is slightly below budget due to some contract uplifts still being negotiated with care providers.

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, and when needed.

Contingencies are critical to the effective and resilient operation of the Council, risks over the winter months that might arise include weather events such as storms, flooding, and snow; pay negotiations are not yet commenced for 2023/24; 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 20% of full year budget. As the Scottish Government hold the financial risk of NDR not delivering the total value across Scotland, a shortfall in cash against the amount has been guaranteed will be topped up at the end of the financial year. This is an adjustment to the Council's General Revenue Grant.

As at quarter 1 income from Council Tax is forecast to be on budget for the full year based on the income levels achieved last year.

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 the redeterminations advised by the Scottish Government, and this is paid in March 2024.

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 2023/24, 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, 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 22,000 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. There continues to be significant spending on Repairs and Maintenance this year with the impact of inflation being particularly prevalent. The loss of income arising from voids continues 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

While 2022/23 ended with the Council reporting a small deficit of £2.1m on the General Fund that was funded by use of earmarked reserves.

The balanced budget for 2023/24 takes into account using of fiscal flexibility to manage the cost of some long-term debt and places a great deal of emphasis on managing the cost of staff resources down. Transformation as well as tried and tested means of managing staff turnover and offering voluntary severance and early retirement are being used to achieve these savings.

The impact of the pandemic and other global events, the Russian invasion of Ukraine, commodity prices and inflation and continue to have an effect on the Council, and this means 2023/24 still looks very uncertain, with the spectrum of difficulty increasingly widening as time passes.

Continuing risks, not seen on the same scale for decades are inflation levels and supply chain volatility. These made a large impact on the Council's finances in 2022/23 and persist into 2023/24, with utility cost increases, forecasts for the year remaining high.

Spend levels are forecast to be high in certain areas of the budget that will be familiar in respect of children and education services, and there is high recruitment and retention of teachers in schools to support higher school rolls, which is leading to much lower forecast levels of savings from staff turnover than had been expected. The school roll forecasts for August indicate further rises, taking into account continuing numbers of international students moving to Aberdeen with their families, and the impact of dispersal and resettlement schemes. The city now supports the highest proportion of those in need of humanitarian aid with 6.68 people per 1000 (or 0.67% of the city population) being supported locally compared to a national average of 3.08 per 1000 (or 0.31%).

During the remainder of the year the Council will continue to act to reduce spending while reviewing and assessing the changes that the local financial environment 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 Finance & Resources Committee on 22 November 2023.

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
Balance at 31 March 2023 brought forward	(85,928)	(15,715)	(29,635)	(24,266)	(155,544)	(1,345,337)	(1,500,882)
Movement in Reserves during 2023/24							
Total Comprehensive Income & Expenditure	(105,454)	(8,270)	0	0	(113,724)	0	(113,724)
Adjustments between accounting basis & funding basis under regulations	13,691	3,067	0	0	16,758	(16,758)	0
Net (Increase)/Decrease before Transfers to Reserves	(91,764)	(5,203)	0	0	(96,966)	(16,758)	(113,724)
Transfers to/from Reserves	717	0	(717)	0	(0)	(0)	(0)
(Increase)/Decrease in Year	(91,047)	(5,203)	(717)	0	(96,966)	(16,758)	(113,724)
Balance at 30 June 2023	(176,975)	(20,918)	(30,352)	(24,266)	(252,511)	(1,362,095)	(1,614,606)

Expenditure and Funding Analysis

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

Services	Quarter 1 2023/24			Notes
	Net Expenditure chargeable to General Fund & Housing Revenue Account	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000	
	£'000	£'000	£'000	
Children & Family Services	59,189	0	59,189	1
Operations	0	(13,718)	(13,718)	2
Customer	10,194	0	10,194	3
Commissioning	3,255	0	3,255	4
Resources	9,537	0	9,537	5
Integration Joint Board	26,488	0	26,488	6
Corporate	264	(270)	(6)	7
Net Cost of General Fund Services	108,927	(13,988)	94,939	
Housing Revenue Account	(5,203)	(1,975)	(7,177)	8
Net Cost of Services	103,724	(15,963)	87,761	
Other Income and Expenditure	(200,690)	(795)	(201,486)	9
(Surplus) or Deficit on Provision of Services	(96,966)	(16,758)	(113,724)	
Opening General Fund and HRA Balance at 31 March 2023	(101,643)			
(Surplus) or Deficit on General Fund and HRA Balance in Year	(96,966)			
To/From Other Statutory Reserves	717			
Closing General Fund and HRA Balance at 30 June 2023	(197,893)			

Notes

1. 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
2. See page 3 for information relating to Net Expenditure chargeable to the General Fund. The £13.718m 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. See page 3 for information relating to Net Expenditure chargeable to the General Fund. The £0.270m accounting adjustment relates to CFCR.

8. See page 3 for information relating to Net Expenditure chargeable to the Housing Revenue Account. The £1.975m accounting adjustment relates to CFCR.

9. See page 4 for information relating to Net Expenditure chargeable to the General Fund. The £0.795m adjustment comprises the following three elements, which realign costs from other parts of the budget:

£8.386m 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.

(£0.396) m that is the allocation of the Marischal Square finance lease payment.

(£8.785) 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, 2023/24			Notes
	Gross Expenditure	Gross Income	Net Expenditure	
	£'000	£'000	£'000	
Children & Family Services	67,940	(8,751)	59,189	
Operations	(13,718)	0	(13,718)	
Customer	25,243	(15,049)	10,194	
Commissioning	8,191	(4,936)	3,255	
Resources	39,049	(29,512)	9,537	
Integration Joint Board	41,079	(14,592)	26,488	
Corporate	1,708	(1,714)	(6)	
Cost of General Fund Services	169,492	(74,554)	94,939	
Housing Revenue Account	20,743	(27,920)	(7,177)	
Cost of Services	190,235	(102,474)	87,761	
Other Operating Expenditure	0	0	0	1
Financing and Investment Income and Expenditure	27,594	(22,052)	5,541	2
Taxation and Non Specific Grant Income	0	(207,027)	(207,027)	3
(Surplus) or Deficit on Provision of Services	217,829	(331,553)	(113,724)	
(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
Other Comprehensive Income and Expenditure			0	
Total Comprehensive Income and Expenditure			(113,724)	

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 2023 are based on the Council's audited Annual Accounts 2022/23.

31 March 2023 £'000		30 June 2023 £'000	Note
2,610,218	Property, Plant & Equipment	2,647,703	1
199,723	Heritage Assets	199,723	1
169,883	Investment Property	169,883	1
28,219	Long Term Investments	28,219	2
498	Long Term Debtors	1,834	3
3,008,541	Long Term Assets	3,047,362	
72,278	Cash and Cash Equivalents	46,125	4
11,588	Short Term Investments	35,997	5
150,075	Short Term Debtors	76,487	6
4,312	Inventories	7,831	7
3,150	Assets Held for Sale	3,150	8
241,403	Current Assets	169,590	
(306,405)	Short Term Borrowing	(269,581)	9
(156,365)	Short Term Creditors	(54,498)	10
(5,354)	Short Term Provisions	(7,707)	11
(5,332)	PPP Short Term Liabilities	(4,308)	12
(7,948)	Accumulated Absences Account	(7,948)	13
(4,235)	Grants Receipts in Advance - Revenue	(1,920)	14
(493)	Grants Receipts in Advance - Capital	(1,011)	14
(486,132)	Current Liabilities	(346,974)	
(1,064,341)	Long Term Borrowing	(1,062,959)	15
(56,445)	Finance Lease	(56,011)	16
0	Long Term Creditors	0	17
(1,986)	Long Term Provisions	(551)	11
(120,706)	PPP Long Term Liabilities	(116,398)	12
(19,452)	Pension Liabilities	(19,452)	18
(1,262,930)	Long Term Liabilities	(1,255,372)	
1,500,882	Net Assets	1,614,606	
	Usable Reserves:		
(85,928)	General Fund Balance	(176,975)	19
(15,715)	Housing Revenue Account	(20,918)	19
(29,635)	Statutory and Other Reserves	(30,352)	19
(24,266)	Capital Grants and Receipts Unapplied	(24,266)	19
(1,345,338)	Unusable Reserves	(1,362,095)	20
(1,500,882)	Total Reserves	(1,614,606)	

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 £37.485m has been applied to Property, Plant & Equipment (this includes £23.229m of general fund expenditure and £14.256m of HRA expenditure). Disposals, revaluations, and transfers have not been accounted for in Quarter 1.
2. Long Term Investments comprises the council's interest in Aberdeen Sports Village and Hydrogen Hub.
3. Long term debtors reflect the movement based on transactions for the period.
4. Cash and cash equivalents include short term investments of £28.403m (because they can be called up at short notice i.e. 0 to 35 days) and developer's contributions of £26.892m. 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 reflect 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 2023. This will be reviewed in Quarter 4.
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 2024.
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 2024.
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.

	Quarter 1 2023/24
	£'000
Net Surplus or (Deficit) on the provision of services	113,724
Adjust net surplus or deficit on the provision of services for non cash movements	(25,661)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(8,786)
Net cash flows from Operating Activities	79,278
Net cash flows from Investing Activities	(61,894)
Net cash flows from Financing Activities	(43,537)
Net increase or decrease in cash and cash equivalents	(26,153)
Cash and cash equivalents at the beginning of the reporting period	72,278
Cash and cash equivalents at the end of the reporting period	46,125
Cash held by the Authority	25
Bank current accounts	46,100
	46,125

Contingent Liabilities

In addition to amounts recognised on the Balance Sheet, the Council is aware of the following contingent liabilities at 30 June 2023:

Guarantees

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 City Growth & Resources Committee on 21 September 2022. This guarantee will remain in force until 31 March 2024.

Sport Aberdeen

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

Aberdeen Heat & Power

The Council has agreed to provide a bank guarantee to Aberdeen Heat and Power up to a maximum of £1 million as approved at City Growth and Resources Committee on 21 September 2022. This guarantee will be in place from 1 November 2022 to 31 March 2024.

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 several 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. The financial impact of known implications has been assessed and incorporated into the full year forecast for 2023/24. There will remain contractual matters to be addressed that will take time and the Council continues to work closely with the Contractor and representatives to determine the full extent of those.

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.

Litigation in connection with the above

There are currently several adjudications regarding performance, delivery and delay of the energy from waste project and sums due under the contract as a result. Parties are too far apart at present to put an exact figure on any liability or quantum.

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 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 Finance & 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, Global events and High inflation environment

Almost all restrictions that were in place for the Covid-19 pandemic have now been lifted, and although the virus continues to circulate it no longer presents the health risk that previously existed. However, the consequences of the pandemic have been far reaching and recovery has been slow. The Council has prepared its 2023/24 budget to include known Covid-19 related implications, however, there remains the possibility that further costs may arise that were not previously identified.

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 Russian invasion of 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 reported to the City Growth and Resources committee and full Council in August 2022 and any significant programme/project impacts continue to be updated through updates to this committee.

Scottish Child Abuse Inquiry

Redress Scotland was set up following an act passed by the Scottish Parliament in 2021. Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act 2021. Although Redress Scotland works with guidance and funding from the Scottish

Government, it is not part of any Government department. Survivors, as an alternative to civil litigation, may choose to apply for redress. Local Authorities, as a Local Government sector, 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.

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 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.

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**PROJECTED FINANCIAL POSITION
FOR THE YEAR 2023/24**

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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 2023. The full year budgets reflected in the table below differ from those set by Council in March 2023 for a number of reasons. This is normal practice during the year as virements are identified and budget responsibilities change.

The General Fund, Housing Revenue Account and Common Good are all forecast to deliver in line with budgets set for 2023/24, but this will not be without continued effort and action.

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 the longer-term effects of the Covid pandemic, such as customer and citizen behaviours resulting in lower than expected income streams in some services. As reported to the Committee in June 2022, supply chain volatility [RES/22/131] is significant and continues to be present, and inflation remains at high levels.

Last year financial turmoil was experienced as government borrowing costs rose steeply following the mini budget delivered by the Chancellor in September 2022. The financial support and tax-cutting initiatives announced were substantially reversed and the rates since then have continued to reduce, however, it is clear that future borrowing is costing the Council more and this, combined with the challenges inflation and supply chain issues will make future capital investment more expensive.

Demand continues to rise for our services, with attention being drawn to the population changes that are seen, rising school rolls, are on the back of increased numbers of families in the city, whether through the dispersal and resettlement schemes, welcoming those fleeing harm and seeking sanctuary, and through the University schemes to attract international students to the City, with their families.

At best there is a lag between rising population and funding, but with the core grant not increasing to take account of more demand or cost in the system then the redistribution of grant between local authorities means nobody receives what is needed to deliver the current level of services. Without the funding the alternative, as seen over the last many years, is to reduce the cost of services and it is clear from the decisions made for 2023/24 budget that the savings are reducing services. They are also limiting the service standards that we can deliver and if the pressure described in Appendix 1 for the first quarter continues as expected for the foreseeable future, then this position will only get more difficult.

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, however this is increasingly difficult.

Appendix 1 provides the Income and Expenditure Statement and Balance Sheet of the Council as at 30 June 2023. The forecast for the year is built on the information that was available at this time.

For the full year, 2023/24, the General Fund is forecast to be on budget however it must be noted that there are further actions and processes being put in place to support managers to continue to reduce, stop or delay expenditure that they can, in the remainder of the financial year.

Payroll / Staff Costs:

As part of our 2023/24 budget it was recognised that our payroll bill needed to reduce. The levers to deliver this was mainly turnover and through our current Voluntary Severance and Early Retirement (VSER) policy. Importantly managers are supported to redesign services with a reduction of resources as well as looking at automation and process improvements to remove work.

To monitor this, an Establishment Control Board (ECB) oversees all recruitment and VSER requests and monitors the level of people leaving the council (turnover) and people newly joining the council (new starts). Through this monitoring it is evident that the turnover and new starts are almost balancing each other out meaning that we are not experiencing a reduction in our payroll costs. Furthermore, the number of staff seeking VSER, and subsequently being approved is less than was forecast or assumed in the budget.

To recover this position the Establishment Control Board is implementing key controls:

1. Robust Recruitment Freeze. This will mean that only essential posts are recruited to when a vacancy arises.
2. Agency Freeze. The use of agency workers should only be used for a short-term need, on average up to 13 weeks. The ECB will implement tighter controls where all agency requests must be supported by the relevant Chief Officer and then passed to the ECB for consideration. People and Organisational Development (P&OD) will also undertake a review of current agency to seek assurance that the council is only using agency for short term essential need.
3. Overtime Freeze. Overtime is currently approved at service manager level. Like 2. above, all future overtime requests will require the support of Chief Officer. Overtime requests should only be used for emergency-type need where the resource requirement is not planned. Again, P&OD will review current overtime usage and work with the business to ensure that it is being used effectively.

These 3 controls will be continually monitored for effectiveness and to ensure the payroll bill is reducing in line with our budget commitment. It is estimated that a net 200 to 250 resources, from a base of almost 8,000 employees, will not be replaced, to achieve the level of saving required.

Essential Spend:

The council has been operating in an environment of restricting discretionary spend for many months. This has been communicated to 'requisitioners' and 'approvers' at all levels within the organisation. Due to the continued uncertainty of the fiscal environment and the recognition of new service demand entering our system, further controls will be implemented to effectively manage non-essential spend and control additional spending resulting from unplanned demand.

Actions include more focused messaging to the business and a review of the approval process for on-line system ordering via our Pecos system. The Demand Management Control Board that reviews regular service level spend and our larger contract requests will robustly monitor the position, particularly regarding inflationary pressures.

To enable the Council to work towards achieving delivery of a balanced budget by 31 March 2024 the provisions are essential and necessary, in the face of the significance of the uncertainty arising from current known situational awareness and the many financial risks that exist.

General Fund

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

The high costs of gas and electric will affect all Council services to some degree. These forecasts are included in the table below.

It should also be noted that Council Services are feeling the impact of the increase in inflation on the costs of goods and services that they are purchasing.

As stated above, across the whole of the Council the planned reduction in the number of posts that are affordable is being managed through voluntary and natural turnover processes. The full value of the staff savings is forecast to be below budget at this time due to lower than expected turnover and fewer people leaving through the voluntary severance and early retirement schemes to date. The actions noted above aim to see change this.

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

1. The main areas of pressure within Children's and Family Service are:

- Higher than budgeted spend on Out of Authority Placements, spend has increased from previous years however this is mainly due to contract uplifts rather than the number of placements.
- Looking at demand, the Public Health restrictions of the last few years, downturn in the local economy and increased costs being experienced by families, is impacting on the needs of children and families. There is a notable rise in vulnerability and need and this is increasing demand for more specialist services. As would be anticipated, there is a level of need apparent in those seeking sanctuary in the city.
- It is exceptionally difficult to predict ongoing demand with any certainty. Hotels can be secured for asylum dispersal schemes at short notice with limited information about the age and stage of those being placed locally. Services continue to be proactive in their response.

For Education the service is managing a substantial increase in children that have arrived in the city. This continues to be driven by two factors: - the post-Covid increase of international students from other countries to the two Universities, who are bringing their families with them, this is expected to continue through the forthcoming and future admission cycles, and secondly the number of children (and families) in the city seeking refuge from Ukraine.

- Also, within Education there are increased contract costs and long-term absence spend will be over budget for 2023/24, this is being closely monitored.
- Education is in the process of recruiting teachers in all areas for the new term starting in August at this stage it is not clear where the gaps if any will be.
- There is a risk that Early Years will not achieve the budgeted savings for the reduction in the ELC setting as the results of the consultation will go to Education & Children Services on 21 November 2023.

2. The main areas of pressure within Resources are:

- Commercial property trading account income has been revised to reflect current conditions, this will continue to be monitored closely and the Council may be affected by bad debt provisions at the year end. This 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.
- Car Parking income was severely affected by the pandemic, and whilst it is now recovering it is not expected the budgeted income from parking permits will be achieved.
- In Building Services there is a risk that the level of capital works will not increase with the focus being on void properties and response repair and maintenance, then the budgeted surplus may not be achieved this year.
- Waste Disposal management fees are higher than budget largely due to annual contract increases.

3. The main areas of pressure within Customer are:

- There is a risk that the level of rental income from Homeless Flats will be lower than budget due to the levels of activity to the end of the quarter, this is offset by increased income levels for hostels.
- Temporary accommodation (hotels, and bed and breakfast) is experiencing a significant rise in demand due to the cost of living crisis and this is being exacerbated by less people moving into permanent accommodation.
- Digital and Technology are experiencing a cost pressure whilst transitioning to new contracts and increasing digital services. There is a risk that the automation budget savings may not be fully achieved this year as they are not fully aligned to the services to which they relate.

4. The main areas of pressure within Commissioning are:

- Governance is expecting an under recovery of licencing income.
- For commercial services the Beach Ballroom are now at 90% of their pre-covid trade and business growth continues at the Art Gallery with increasing venue hire activity the primary goal.
- It is expected that there will be an under recovery of income from planning & building applications due to current market conditions.

5. The main areas of pressure within Integrated Joint Board (IJB)/Adult Social Care are:

- Care providers' contracts are currently being negotiated. There is a risk that the commissioned services & direct client payment budgets might not be sufficient to cover any agreed contract uplifts.
- There is a risk that income from clients' care packages may not be received in full.
- There is a risk that the Scottish Government will claw back unspent covid reserves from IJBs.
- The numbers of direct payments to clients may rise, however there are signs that the total number of direct payments is beginning to stabilise.

6. 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.

As highlighted above, and in Appendix 1, the financial turmoil recently has only exacerbated the rising cost of borrowing, the cost of capital investment will rise from previous forecasts due to the current economic environment, with borrowing rates up at 2011 levels, very high inflation – above Government and Bank of England targets – and supply chain volatility.

Misc Services now includes the saving of £6.7m against the capital financing budgets or principal and interest and is reflective of total borrowing costs and slower than expected capital expenditure.

The bad debt provision has been updated to take account of latest data. 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 and there has subsequently been a reduction in the level of debt.

7. The corporate saving for a reduced teaching workforce is captured in the “Corporate Budgets”. The full value of the staff savings is forecast to be below budget at this time due specifically to the lack of vacancies in teaching posts, despite a regular turnover of posts.

As last year, the risk of pay negotiations continues for 2023/24 with pay deals not yet finalised. The teaching unions agreed a two year pay deal for 2022/23 and 2023/24 that runs until 31 July 2024 so the costs for 2023/24 are now certain and additional funding is being provided by Scottish Government to meet the costs. However the remaining employee bargaining groups have not concluded and while a pay award was offered some months ago the Trade Unions are still consulting with their members, with recommendations to reject the current offer. That offer would cost local government 5.5% in 2023/24 (funded Local Government 3%, Scottish Government 2.5%) and is currently offering 5% increase from April 2023, with a further, variable, uplift from January 2024.

While this offer is not accepted and until these negotiations are resolved there remains significant risk of potentially unfunded additional cost to the Council, with the consequential impact of additional financial burden arising in 2023/24 on a recurring basis. The Council would have to rely on its Balance Sheet and usable reserves if Contingencies are fully utilised during the year.

The current offer for non-teaching staff creates an unfunded cost pressure of approximately £3.1m for 2024/25.

Contingencies also holds the in-year revenue contingency for the General Fund and the forecast includes the use of that contingency in the remainder of the year. That does not stop future unplanned events taking place or from implications arising from the risk registers and, where identified, contingent liabilities becoming more certain (see Appendix 1). It means at this stage that the Council relies on the strength of its balance sheet to address future unknown costs.

8. Council Expenses include the budgets for all councillors’ costs, including salaries and expenses. These are forecast to be on budget.
9. The Joint Boards budget and forecast outturn is based on the amount requisitioned by Grampian Valuation Joint Board. This is currently forecast 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. This is regularly updated to account for the redeterminations that are allocated to Local Government after the approval of the Scottish Budget. Funding for these allocations is paid to Councils in March.
12. Council Tax income is forecast to be on budget for 2023/24 based on collection levels in 2022/23.
13. Use of Reserves. The Council approved in its 2023/24 budget that a sum of £9.072m will be used from Service Concession and other earmarked General Fund reserves to fund the budget.

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 staff costs. 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 2023 the Council held c.£92m 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 2023/24 progressing the digital programme of transformation.

The other significant earmarked reserves to draw attention to at this time are the Refugee Funding (£18.046m) to support the work and activities we deliver for through the dispersal and resettlement schemes; and the Joint Venture (ASV) Revaluation Surplus (£11.216m), which is not cash backed and reflects the increased value of the Council shares of the Sports Village following asset revaluation.

Also notable is the Second & Long-term Empty Properties (Affordable Housing) reserve (£10.733m), which is underpinned by legislation. Expenditure in 2023/24 will depend on the progress with a number of developments including Cloverhill, 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.

The earmarked Covid-19 Grants (£6.669m) are for areas such as Education recovery, income shortfall and General support to Council services. It is anticipated that much of this funding will be fully utilised to fund the employment of additional teachers, support staff within Education, support income shortfalls in such areas such as car parking and commercial properties, essentially using the general sums available to balance the budget should a deficit remain at the end of the financial year– and this is subject to action being taken to reduce, stop and delay expenditure in the second half of the year.

Balancing the Budget through Controls and Monitoring Structures

Drawing attention again to the points made in the introduction about Payroll/Staff Costs and Essential spend controls, specific actions that will continue, to manage spending and work towards reducing the operating deficit include:

- Further instruction to all budget holders to reduce, stop or delay expenditure wherever possible to reduce the outturn position.
- Ongoing review and analysis of the national dispersal and resettlement programmes on council budgets.
- 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 2023/24.
- The voluntary severance / early retirement scheme is how the Council has incentivised workforce reductions. The scheme has been recently promoted to staff in order to further

reduce the ongoing cost of staff and to support the affordability of the Council's budget going forward. 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 expired at 31 March 2023. With effect from 2023/24 this scheme will be financed by the Scottish Government's financial flexibility to amend service concession payments in their accounts. 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.

- Closure of small financial assistance grant scheme (honouring commitments already made).

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 Officer – Data & Insight 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 emerging risks from demand and costs and the challenge to balance the budget should be having an impact on those operational risk registers and the corporate Management Team expect where appropriate that these risks are escalated to the Corporate Risk Register, along with the potential impacts and means of mitigation.

The spectrum of difficulty that has been described as widening signals that risks are going to change and that the likelihood and impact of those risk are going to rise. The Council should be expecting to see this and to be asked to take appropriate action to mitigate them as they are identified.

The main risks to the Council are now the cost of living crisis, the rise in the number of people in the city through resettlement and refugee schemes and studying in the city from abroad. Also, the high inflation level and extremely high increases experienced in the cost of energy supplies remain significant risks 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, with key actions being put in place as described to reduce the payroll/staff costs across the Council and also the cost of our supplies and services during the remainder of this year. Any deficit that emerges later in the year, the Council will have to rely on unused contingencies and the availability of funding from the Balance Sheet in the form of earmarked reserves.

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 2023/2024 - Quarter 1

As at 30 June 2023	Budget 2023/2024	Outturn 2023/2024 Quarter 1	Variance from Budget		Notes
	£'000	£'000	£'000	%	
Children & Family Services	232,160	243,506	11,346	4.9	1
Resources	53,259	60,737	7,478	14.0	2
Customer	42,404	42,838	434	1.0	3
Commissioning	18,565	20,681	2,115	11.4	4
Integrated Joint Board	120,781	120,781	0	0.0	5
Total Functions Budget	467,169	488,542	21,373	4.6	
Miscellaneous Services	74,440	58,203	(16,237)	(21.8)	6
Contingencies	13,773	12,237	(1,536)	(11.2)	7
Council Expenses	1,559	1,559	(0)	(0.0)	8
Joint Boards	1,952	1,952	0	0.0	9
Total Corporate Budgets	91,725	73,952	(17,773)	(19.4)	
Non Domestic Rates	(257,797)	(257,797)	0	0.0	10
General Revenue Grant	(154,116)	(154,116)	0	0.0	11
Government Support	(411,913)	(411,913)	0	0.0	
Council Tax	(137,908)	(137,908)	0	0.0	12
Local Taxation	(137,908)	(137,908)	0	0.0	
Contribution from Reserves	(9,072)	(12,672)	(3,600)	39.7	13
Contribution from Reserves	(9,072)	(12,672)	(3,600)	39.7	
Deficit/(Surplus)	0	(0)	(0)	0.0	

Housing Revenue Account Summary 2023/2024 - Quarter 1

Deficit/(Surplus)	(500)	(500)	0	(0)	14
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General Fund Capital Programme

As instructed by the report RES/24/148 – Council Financial Performance – Quarter 4 2022/23, at Finance and Resources committee on 17 May 2023, this update incorporates the outcomes of the completed financial year into the reprofiled programme for 2023/24 to 2026/27.

The Capital Programme also now includes additional projects following confirmation of funding awards from the Scottish Government:

- £0.256 million for the new Road Safety Improvement Fund;
- £0.270 million for continuing the Nature Restoration Fund into 2023/24;
- £0.270 million additional funding towards the implementation of the Low Emissions Zone;
- An increased Cycling Walking Safer Routes grant for 2023/24, now raised to £1.453 million;

As at Period 3 2023/24	2023/24					
	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	3,000	140	3,140	(28)	3,140	0
Asset Management Programme Board	60,470	19,424	79,894	5,960	74,254	(5,640)
Asset Management Programme Board Rolling Programmes	21,993	6,111	28,104	5,042	27,190	(914)
City Centre Programme Board	22,300	7,273	29,573	1,543	29,573	0
Energy & Climate Programme Board	30,107	17,817	47,924	1,985	24,507	(23,417)
Housing and Communities Programme Board	1,950	361	2,311	220	1,932	(379)
Housing and Communities Programme Board Rolling Programmes	600	154	754	245	754	0
Transportation Programme Board	11,296	10,486	21,782	1,635	19,646	(2,136)
Transportation Programme Board Rolling Programmes	1,000	335	1,335	270	1,335	0
Strategic Asset & Capital Plan Board	12,070	9,981	22,051	238	15,248	(6,803)
Strategic Asset & Capital Plan Board Rolling Programmes	5,500	(1,599)	3,901	505	3,901	0
Developer Obligation Projects & Asset Disposals	0	0	0	50	11	11
Total Expenditure	170,286	70,483	240,769	17,665	201,491	(39,278)
Capital Funding:						
Income for Specific Projects	(55,312)	(21,838)	(77,150)	(3,121)	(61,744)	15,406
Developer Contributions	0	0	0	(5)	(11)	(11)
Capital Grant	(25,614)	(270)	(25,884)	(5,824)	(25,884)	0
Other Income e.g. Borrowing	(89,360)	(48,375)	(137,735)	(5,853)	(113,852)	23,883
Total Income	(170,286)	(70,483)	(240,769)	(14,803)	(201,491)	39,278

Profiling of project budgets and forecasting of outturns remains challenging given the wide range of factors continuing to affect construction supply chains. Cost inflation over the last year has been the highest experienced in several decades and is only now beginning to show signs of reducing, but this is not yet being reflected in the pricing of contracts. As such the forecast outturns quoted above represent a point in time and there is a strong probability they will be subject to change as the financial year progresses and additional information becomes available.

As last year opportunities exist to review the overall programme for affordability as business cases for new project budgets approved in March continue to be developed and presented to Capital Board and Committee thereafter.

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. Given the prevailing conditions and with a view to managing the capital programme with best value in mind, a more detailed report presenting the outcomes of a review conducted by the Chief Officer – Capital on projects included in the Capital Programme will be reported to this committee in September.

Expenditure for Quarter 1 2023/24 includes continued construction works related to the Energy from Waste (EfW) facility in East Tullos and associated Torry Heat Network. Expenditure was also incurred on progressing the New Schools programme, with significant expenditure on the new Greyhope School. Works are also progressing well on the new shared mortuary at Foresterhill, and the City Centre Masterplan has also continued to develop the designs for Union Street and the Beachfront.

The new Countesswells Primary opened in April, and the appointed contractor for the new Tillydrone Primary took possession of the site during May. The South College Street works progressed to the re-opening of some road lanes by the end of June.

Housing Capital Programme

Due to the pause of the two Housing Capital Council led new build projects spend on New Build is low, it is anticipated this will increase following the decision at Finance and Resources on 5 July 2023 to continue developing Kincorth and Craighill sites.

Prioritisation of work on voids is continuing the shifting of resources from capital to revenue works. This is resulting in lower than budgeted capital spend on lift maintenance, heating system replacement, kitchens and bathroom.

CFCR out-turn has been amended to reflect the pressures experienced by the revenue account, this is balanced by an increase in borrowing.

The assumption at Quarter 1 is that budgeted expenditure will be achieved in 2023/24, this will be updated following a review during Quarter 2.

Housing Capital Programmes	Approved Budget	Expenditure to date	Forecast Expenditure
As at 30 June 2023	£'000	£'000	£'000
Compliant with the tolerable standard	1,816	460	1,816
Free from Serious Disrepair	17,694	934	17,694
Energy Efficient	15,094	1,976	15,094
Modern Facilities & Services	15,268	1,207	15,268
Healthy, Safe and Secure	7,112	686	7,112
<i>Non Scottish Housing Quality Standards</i>			
Community Plan and Local Outcome Improvement Plan	9,648	1,417	9,648
Service Expenditure	7,544	1,887	7,544
2000 New Homes Programme	93,439	5,810	93,439
less 11% slippage	(8,600)		(8,600)
Net Programme	159,015	14,377	159,015

Capital Funding			
Borrowing	(127,078)	(15,736)	(130,117)
Other Income - Grants Affordable Homes etc	(21,000)	(620)	(21,000)
Capital Funded from Current Revenue	(10,937)	(1,974)	(7,898)
Total	(159,015)	(18,330)	(159,015)

Common Good

As At 30 June 2023	Full Year Budget 2023/24	Actual Forecast Expenditure	Variance from Budget
	£'000	£'000	£'000
Recurring Expenditure	4,263	4,263	0
Recurring Income	(5,088)	(5,088)	0
Budget after Recurring Items	(825)	(825)	0
Non Recurring Expenditure	825	825	0
Non Recurring Income	0	0	0
Net (Income)/Expenditure	(0)	(0)	0
Cash balances as at 1 April 2023	(37,384)	(37,384)	
Net Expenditure from Income & Expenditure	(0)	(0)	0
Investment Revaluation (Increase)/Decrease	0	733	733
Net Capital Receipt	0	0	0
Cash Balances as at 31 March 2024	(37,384)	(36,652)	734
Minimum cash balance requirement per budget report (Council February 2015)	(31,197)	(31,197)	

Notes

- Operationally the Common Good is forecast to be on budget as at 30 June 2023.
- 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 2023 the value of the investments was £23.412m, a decrease in the quarter of £0.733m. 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, and grants payable throughout the year to the wide range of approved organisations.

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**COMMON GOOD
FINANCIAL STATEMENT
FOR THE PERIOD ENDING
30 JUNE 2023**

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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
Balance at 31 March 2023	(119,549)	(68)	(119,617)
Movement in Reserves during 2023/24			0
(Surplus) or Deficit on provision of services	(714)	0	(714)
(Surplus) or Deficit on revaluation of investment property	733	0	733
Total Comprehensive Expenditure and Income	19	0	19
Balance at 30 June 2023	(119,530)	(68)	(119,598)

Comprehensive Income and Expenditure Statement

	Quarter 1, 2023/24		
	Gross Expenditure £'000	Gross Income £'000	Net (Income) Expenditure £'000
Grants & Contributions to External Organisations	167		167
External Organisations Rents	17		17
Promoting Aberdeen	0		0
Grants/Services Provided by Aberdeen City Council	324		324
Civic Service Funding	207	(0)	207
Duthie Park HLF	0		0
Specific Projects	211	0	211
Earmarked Reserves	4		4
Cost Of Services	930	(0)	930
Sales Income			0
Cost of Sales			0
Other Operating Income/Expenditure			0
Financing and Investment Income and Expenditure			(1,644)
(Surplus) or Deficit on Provision of Services			(714)
(Surplus) or Deficit on revaluation of investment property			733
Total Comprehensive Income and Expenditure			19

Notes

1. This includes project expenditure to 30 June 2023.
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 2023 £'000		30 June 2023 £'000	Notes
24,145	Long Term Investments	24,145	1
82,231	Investment Property	82,231	1
106,376	Long Term Assets	106,376	
13,302	Investments in Aberdeen City Council Loans Fund	14,186	2
0	Investment Property Held for Sale	0	3
527	Short Term Debtors	81	4
13,829	Current Assets	14,267	
(588)	Short Term Creditors	(1,045)	5
(588)	Current Liabilities	(1,045)	
119,617	Net Assets	119,598	
(119,549)	Common Good Fund	(119,530)	6
(68)	Reserve Fund	(68)	6
(119,617)	Total Reserves	(119,598)	

Notes

1. This represents the long term investments as at 30 June 2023. 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 2023.
3. Will be reviewed and updated accordingly in Quarter 4.
4. Based on transactions to 30 June 2023.
5. Based on transactions to 30 June 2023.
6. Reflects the accounting value of the funds, based on transactions to 30 June 2023.

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**GROUP ENTITIES
PROJECTED FINANCIAL
POSITION FOR THE YEAR 2023/24**

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 2023/24	ACC Control	ACC Commitment to meet accumulated deficits	Annual Turnover
	%	%	£m
Subsidiaries			
Common Good	100	100	5
Trust Funds	100	100	0
Sport Aberdeen Limited	100	100	14
Bon Accord Care Limited	100	100	29
Bon Accord Support Services Limited	100	100	36
Aberdeen Heat and Power	100	100	9
Joint Ventures			
Aberdeen Sports Village Limited	50	50	6
Aberdeen City Integration Joint Board	50	50	396
Associates			
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 2023/24	Reporting Date	Surplus/(deficit) attributable to the Council at Reporting date	Forecast Surplus/(Deficit)	Comment
		£'000	£'000	
Subsidiaries				
Common Good	30.06.23	714	(734)	
Trust Funds	31.03.23	503	-	Full year forecast not internally available at Q1
Sport Aberdeen Limited	30.06.23	7	(500)	
Bon Accord Care Limited and Bon Accord Support Services Ltd	30.06.23	(185)	(1,000)	
Aberdeen Heat and Power Ltd	30.06.23	187	274	
Joint Ventures				
Aberdeen Sports Village Limited	31.05.23	(330)	-	Full year forecast not internally available at Q1
Aberdeen City Integration Joint Board	30.06.23	0	0	
Associates				
Grampian Valuation Joint Board	30.06.23	105	-	Full year forecast not internally available 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, with £30m of accumulated cash invested in a multi-asset income fund managed by Fidelity.

The Common Good is currently showing an operational surplus at the end of Quarter 1 of £714k, however an overall deficit of £19k after taking account of capital investment transactions for the quarter. The full year, on budget, projection for operational activities means the forecast for the year reflects the projected reduction in the value of long-term investments as a result of revaluations - 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, and the upkeep of public works. The money earned from the investments of the Trusts is used to provide grants and awards to trust beneficiaries, prizes and dux medals for school children and requisites for clients in Social Work homes.

At the end of March 2023, the Trusts reported a net surplus of £503k.

The Trusts are not expected to have a material impact on the Council's financial position for 2023/24.

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 30th June 2023 show net surplus of £7k.

Bon Accord Care and Bon Accord Support Services

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

The consolidated position of Bon Accord Care and Bon Accord Support Services shows a deficit of £185k against budget for the period ended 30th June 2023. This is mainly due to the impact of the recent pay award. The forecast for the financial year shows a potential deficit of £1,000k and the Board are acting on the latest information to address these early forecasts.

Aberdeen Heat and Power Ltd

AH&P Ltd is a company limited by guarantee and has no share capital. Aberdeen City Council is the sole member of AH&P which is a wholly owned subsidiary of the council guarantor. All AH&P board appointments are made by the Council as the sole member of AH&P Ltd.

For the period ended 30th June 2023, Aberdeen Heat and Power shows a surplus of £187k. The forecast for the financial year shows a surplus of £274k.

Joint Ventures

Aberdeen Sports Village Limited (ASV Ltd)

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 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 account for the period ended 31st May 2023 showed that ASV Ltd reported a deficit of £660k. The share of the deficit being attributed to the Council is £330k. The Council has confirmed the funding level for the year and recent meetings indicate that full year position to 31st July will breakeven, with a reduced level of reserve being set aside for future lifecycle costs.

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 2023, the IJB is forecasting a break-even position for financial year 2023/24.

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 £196k during the period ended 30th June 2023 mainly due to continued underspends in staffing and other supplies and services.

This is a favourable variance of £269k compared to the budgeted deficit of £71K.

The portion of the underspend attributable to ACC is £105k.

Non-Material Interest in Other Entities

On the grounds of materiality, 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 Annual Accounts for 2022/23.

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Exempt information as described in paragraph(s) 6 of Schedule 7A of the Local Government (Scotland) Act 1973.

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