

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Council
<b>DATE</b>	3 March 2020
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	General Fund Revenue Budget and Capital Programme 2020/21 to 2024/25
<b>REPORT NUMBER</b>	RES/20/065
<b>DIRECTOR</b>	Steven Whyte
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Jonathan Belford
<b>TERMS OF REFERENCE</b>	1 and 2

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### 1. PURPOSE OF REPORT

- 1.1 This report provides the Council with information on both the revenue budget for 2020/21 and capital programme for the period 2020/21 to 2024/25 in order that approved budgets and Council Tax value can be set by the Council for the year commencing 1 April 2020.

### 2. RECOMMENDATIONS

It is recommended that Council:

#### 2.1 Balance Sheet Recommendations

- 2.1.1 Note the projected balance sheet position including the reserves as at 31 March 2020, shown at Appendix 1;
- 2.1.2 Approve the General Fund Capital Programme as attached at Appendix 2;
- 2.1.3 Consider the capital projects described in Appendix 3 which are not currently included in the General Fund Capital Programme, and instruct the Director of Resources on any action to be taken;
- 2.1.4 Approve the Prudential Indicators as attached at Appendix 4;
- 2.1.5 Instruct the Director of Resources, in consultation with the Convener of City Growth and Resources Committee, to prepare and submit appropriate bid(s) to the Heat Networks Early Adopters Challenge Fund, announced as part of

the Local Government Financial Settlement, and if successful then to finalise relevant terms and conditions to then deliver the projects;

2.1.6 Instruct the Director of Resources to arrange for a partnership agreement to be put in place, and agree terms for the Council, in relationship to the mortuary project, including funding mechanism; and

2.1.7 Approve the recommended use of reserves and Reserves Policy for 2020/21 as detailed in Appendix 5.

## 2.2 Medium-Term Financial Projections

2.2.1 Note the forecast medium-term financial projection for the period ending 31 March 2024 as shown in paragraph 3.22; and

2.2.2 Instruct the Chief Officer – Finance to report to the City Growth and Resources Committee, no later than December 2020, on options to balance the budgets for financial years 2021/22 and 2022/23, including new discretionary tax raising powers available to the Council.

## 2.3 Revenue Budget Recommendations

2.3.1 Note that the conditions outlined by the Scottish Government within the Local Government Finance Settlement for 2020/21 are met by the proposals set out in the report;

2.3.2 Approve the redesign of Council services to address demand, in line with the commissioning led approach described in the report, and to set at least a balanced budget for financial year 2020/21, having taken into account the following;

a) The Budget Model as contained in paragraph 3.22 that identifies a funding shortfall of £37.9m for 2020/21;

b) The impact of service redesign on services and fees and charges described in Appendix 6;

c) The Reserves Policy, that sets out the Council should maintain uncommitted General Fund balances of £12m;

d) The Prudential Indicators and impact of the General Fund Capital Programme on revenue expenditure;

e) The savings options and cost of implementation put forward in Appendix 7 and Fees and Charges proposals in Appendix 8;

f) The revenue items referred to the budget process, as shown in Appendix 9; and

g) Due consideration of the equalities impact assessments and screening results provided in the background papers.

- 2.3.3 Approve the Commissioning Intentions and Service Standards as described in Appendices 10 and 11 respectively, subject to any amendments approved as per 2.3.2 above;
- 2.3.4 Instruct the Chief Officer – Customer Experience to insert the service standards into the system for service requests and complaints;
- 2.3.5 Instruct the Head of Commercial and Procurement Services to incorporate community benefit clauses into new contracts let during 2020/21 that increase the contribution of the Council to the Local Outcomes Improvement Plan (LOIP) outcomes, and submit a year-end report to Strategic Commissioning Committee;
- 2.3.6 Approve the level of funding for the Aberdeen City Community Health & Social Care Integration Joint Board (IJB) in 2020/21 to meet the conditions of the Scottish Government Financial Settlement, described in paragraphs 3.69 and 3.74 to 3.78, and to note that it will be for the IJB itself to determine how it will balance its budget;
- 2.3.7 Approve the fees and charges for the Aberdeen City Community Health & Social Care Partnership IJB, as shown in Appendix 8;
- 2.3.8 Approve the level of funding for the Council's other group entities and ALEO, in 2020/21 with reference to paragraph 3.69; and
- 2.3.9 Instruct the Chief Officer – Finance to recover the full costs associated with being the Administering Authority of the North East Scotland Pension Fund from the Pension Fund.

## 2.4 Taxation Recommendations

- 2.4.1 Approve a Band D equivalent Council Tax rate, with effect from 1 April 2020;
- 2.4.2 Impose and levy Council Tax assessments for the period 1 April 2020 to 31 March 2021 on all chargeable dwellings in Aberdeen City to be paid by the persons liable therefor under the Local Government Finance Act 1992, as amended by the Local Government etc. (Scotland) Act 1994;
- 2.4.3 Note that the Council implements revisions to National Non-Domestic Rates as defined by the Scottish Government within the relevant Finance Circulars, with effect from 1 April 2020; and
- 2.4.4 Impose and levy Non-Domestic Rates assessments for the period 1 April 2020 to 31 March 2021 on all occupiers in Aberdeen City to be paid by those liable.

## 2.5 Organisational Structure

- 2.5.1 Notes the final organisational structure shown in Appendix 12 including the alignment of Business Intelligence & Performance Management (BI&PM) to Customer, and of Governance, Strategic Place Planning and City Growth to Commissioning, within the approved functional structure;

- 2.5.2 Approves the amendment to the Chief Education Officer role from a 3<sup>rd</sup> tier to a 2<sup>nd</sup> tier Chief Officer role; and
- 2.5.3 Note that appointment panels will be convened to fill vacant posts at tiers 1 and 2.

### **3. BACKGROUND**

#### **CURRENT CONTEXT**

##### **Recent reporting and political announcements**

- 3.1 The City Growth and Resources Committee received a report on the General Fund budget options for 2020/21 to 2023/24 (RES/19/462). This report was presented to the Committee, part way through the process of preparing for the Budget Meeting on 3 March 2020. It summarised the progress made by officers to shift the approach to budget setting to one that is founded on a commissioning approach and described assumptions and judgements that have been made.
- 3.3 The Scottish Budget was due to be announced on 12 December 2019, but the General Election prevented both governments from publishing their spending plans on timescales the Council has been accustomed to in previous years. This created budget uncertainty.
- 3.4 In light of the budget uncertainty, in order to enable progress to be made in the development of the council's budget, an assumption was made for the anticipated funding level from Scottish Government for 2020/21. A reasonable assumption of a 'flat cash' settlement was made, mirroring the working assumptions of COSLA.
- 3.5 Since then, on 6 February 2020, the Minister for Public Finance and Digital Economy has presented the Scottish Parliament with a Scottish Budget and in doing so written to Local Authorities on the Financial Settlement for Local Government in Scotland for 2020/21. The Scottish Budget and Local Government Settlement is for one-year, 2020/21.
- 3.6 Information included in this report is based on expenditure and income estimates prepared by the Council and reflect Scottish Government funding and information contained within the Scottish Government Local Government Finance (Scotland) Settlement 2020/21 letter dated 6 February 2020 (Finance Circular No. 1/2020).
- 3.7 The Scottish Parliamentary process for the Scottish Budget is still in progress, with Stage 1 due on 27 February 2020, culminating in Stage 3 taking place on 5 March 2020. During the period, changes to the Scottish Budget can be proposed. If the Council is made aware of changes ahead of the Budget meeting these changes will be reported to all Councillors.

##### **2019/20 Revenue Position**

- 3.8 At its meeting on 6 February 2020, the City Growth & Resources Committee considered the Council's Quarter 3 Financial Performance Report. In terms of the General Fund financial position, the report highlighted that

performance for the year to date has remained positive with net expenditure largely in line with budget for this stage of the year and core funding ahead of budget targets for the third quarter.

- 3.9 The financial outturn for the Capital Programme is lower than budget primarily due to the timing of expenditure, which has reduced the requirement for borrowing during the financial year. Project progress is monitored through the Capital Programme Committee.
- 3.10 The report also focussed on the Council's Balance Sheet and Reserves, providing details as at Quarter 3 and the projected level of usable reserves at year end. The projected position took account of the forecast overall position, use of capital receipts, including those in the Capital Fund, to pay for voluntary severance and early retirement costs.
- 3.11 Setting a balanced budget for 2019/20 included both the use of revenue reserves and a contribution to the Uncommitted General Fund Reserve. The financial monitoring for the year forecasts that the Uncommitted Reserve will be reinstated to the recommended level of £12m in the revised Reserves Policy.

#### **2019/20 Balance Sheet Position**

- 3.12 The position at 31 March 2019 per the 2018/19 accounts showed the Council was worth £1.3 billion.
- 3.13 The projected balance sheet position at 31 March 2020 is shown in Appendix 1 and estimates the net worth of the Council will be maintained around £1.3 billion by the end of the year. The projected position excludes any potential revaluations of its land and property assets and movements in liabilities such as pensions which are only reviewed and updated at year end for inclusion within the annual accounts.
- 3.14 It provides information on the currently projected level of reserves and balances held by the Council at 31 March 2020.

#### **Reserves Policy**

- 3.15 Reserves can be categorised as usable and unusable. The Usable Reserves of the Council are the accumulated funds that the Council has generated in the past, to provide resilience and options for the future. Usable reserves can be broken down further as follows:
- Earmarked – funds approved by committee to be set aside for known financial commitments or liabilities which will require to be settled in a future financial year. The set aside of funds de-risks the Council from future financial exposure without having to make in-year savings to meet the liability;
  - Uncommitted – a sum set aside, not held for any specific purpose and likely to be utilised in the event of major unforeseen incidents or emergencies;
  - Statutory – these funds are held under statute for specific purposes. The main two funds are the Capital Fund (only to be used for the repayment of debt principal and capital expenditure) and the Insurance Fund (for use in mitigating insurance payment related risks arising from claims).

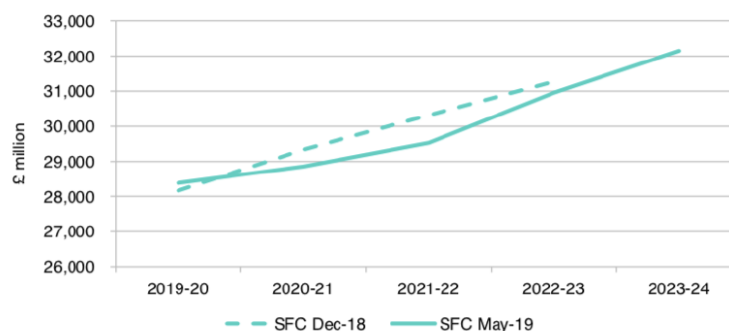
- 3.16 In relation to the resilience that is provided by the Usable Reserves, it is vital that the Council has a robust Reserves Policy to measure the risks that exist for the organisation, providing the assurance that there is the ability to act in the event of any unforeseen events as well as preserving a robust position in relation to contingent liabilities that it might be exposed to in the future. These potential liabilities are regularly reviewed and updated in the quarterly monitoring reports, as well as disclosed in the annual accounts.
- 3.17 Unusable reserves are not available to be utilised by the Council. These reserves are used for accounting adjustments, reflecting statutory provisions in place to avoid costs being charged to the Council's General Fund while meeting reporting requirements as defined within International Financial Reporting Standards.
- 3.18 A refresh of the Reserves Policy is attached at Appendix 5. In setting its budget, the Council must take account of the Policy. This includes understanding the extent of contingent liabilities referred to above and described in Appendix 13.

## REVENUE INVESTMENT

### Medium Term Financial Model

- 3.19 The Council was presented with a 5-year financial model at its Budget Meeting on 5 March 2019. This was updated at City Growth and Resources Committee on 5 December 2019, in advance of this Budget report.
- 3.20 Financial modelling sits in the context of the Scottish Government's 2019 Medium Term Financial Strategy, where spending plans described the protection / prioritisation of the NHS and delivery of political priorities. Local government was not identified as protected. The graph below shows the comparison between the outlook described by the Scottish Fiscal Commission in December 2018 and May 2019, where lower income will be available in 2020/21 and beyond, in part due to the impact of the first income tax reconciliations to be incorporated into quantum of Scottish resources.

Figure 1: Scottish Government's resource spending plans, Budget 2019-20 and MTFS 2019



Source: Figure 2.8 of 'Scotland's Fiscal Outlook', 2019

- 3.21 In preparing a revised financial model several assumptions were updated in December. This included Scottish Government funding, pay and price inflation, statutory duties, local and national policy changes, and based on the Commissioning led approach of the Council there was a need to update the financial model to take account of anticipated demand, to forecast how costs and income might change as a result of demand.

3.22 The financial model, based on latest assumptions is shown below:

	Budget 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Staff	296,327	309,392	322,070	336,053	348,591	359,544
Assets	52,589	53,994	55,499	57,122	58,728	60,378
Spend	392,316	411,943	425,942	438,445	449,793	461,866
Capital Financing	42,078	46,622	55,592	60,401	60,489	60,489
Service Income	(332,118)	(332,259)	(331,897)	(331,540)	(331,181)	(330,821)
<b>Net Expenditure</b>	<b>451,192</b>	<b>489,692</b>	<b>527,207</b>	<b>560,481</b>	<b>586,420</b>	<b>611,456</b>
Scottish Government/NDR	(328,676)	(328,298)	(321,850)	(318,497)	(315,175)	(311,823)
Council Tax	(122,516)	(123,496)	(125,340)	(126,765)	(127,388)	(128,013)
<b>Funding</b>	<b>(451,192)</b>	<b>(451,794)</b>	<b>(447,190)</b>	<b>(445,262)</b>	<b>(442,562)</b>	<b>(439,836)</b>
<b>Net Impact on General Fund</b>	<b>0</b>	<b>37,898</b>	<b>80,017</b>	<b>115,219</b>	<b>143,858</b>	<b>171,619</b>
Impact of increasing Council Tax by 3% p.a.		(3,675)	(7,491)	(11,476)	(15,623)	(19,913)
<b>Updated Net Impact on General Fund</b>		<b>34,222</b>	<b>72,526</b>	<b>103,743</b>	<b>128,235</b>	<b>151,706</b>
Impact of redesign in 2020/21 - recurring		(34,222)	(34,222)	(34,222)	(34,222)	(34,222)
<b>Update General Fund Position</b>		<b>0</b>	<b>38,304</b>	<b>69,521</b>	<b>94,012</b>	<b>117,484</b>
Annual gap between expenditure and income to be addressed			38,304	31,217	24,492	23,472

3.23 The table above draws attention to the total budget gap in 2020/21 of £37.9m. It also shows the impact of balancing the budget in 2020/21, proposing an increase in Council Tax of 3% and the redesign of services, which will reduce expenditure and increase income. Further detail of the assumptions used to model expenditure and income are shown in Appendix 14 and a graphical representation of the funding gap is contained in Appendix 6.

3.24 In order to achieve a balanced budget it requires the implementation of a range of changes that will affect both income and expenditure, changes have to be recurring if they are to address financial sustainability. The proposals in this report are recurring which means that once delivered they will impact positively on the gap between future income and expenditure, reducing the budget gap in years 2021/22 and beyond.

3.25 This can be demonstrated above (table at 3.22), with the approval of this budget and setting Council Tax as described, the overall impact would be to reduce the gap in the future to £117m by 2024/25. The Extended Corporate Management Team are already working on the solutions to this.

### **Scottish Government Financial Settlement 2020/21**

3.26 The unique circumstances of this year have resulted in the Financial Settlement for Local Government for 2020/21 being issued to Councils on 6 February 2020.

3.27 The picture presented was of additional revenue funding to local government of £495m, but an increased commitment for national policy objectives of £590m for 2020/21 reverses the effect of that funding. For the sector this represents a net funding reduction in funding of £95m, equivalent to a cut to core revenue budgets of 1%.

3.28 For each Council the settlement and distribution mechanism results in a variation from the Scotland picture. For Aberdeen City the impact was a cash

increase in funding of £1m, however a like for like reduction in core revenue funding of £2.6m, or 0.8%.

- 3.29 The settlement places new obligations / conditions on the Council, particularly in relation to Health and Social Care funding, including the impact of the Carers Act expansion and free personal care for the under 65's. Add to this the commitment to Mental Health counselling services in schools and from a Scotland-wide funding allocation of £100m, a total of £3.6m of additional commitment has been made that the Council will need to spend. These conditions are included as part of the budget proposals in this report.
- 3.30 The Financial Settlement has no impact on the 2020/21 financial model, as the value we had forecast for Scottish Government funding (£328.3m) compares well with the funding the Council now expects to receive. This means that the Scottish Government grant allocated to the Council neither adds nor reduces the budget gap. The budget gap of £37.9m remains the target for the Council, to achieve a balanced budget in 2020/21.
- 3.31 The following grant conditions have been applied to the settlement:
- Maintaining overall national pupil-teacher ratio;
  - Continued support by Councils for probationer teachers;
  - New Health and Social Care monies (£100m for Scotland) to be passported through to support the Community Health and Social Care Partnership Integration Joint Board, or set aside for Mental Health Counselling in Schools;
  - Flexibility to increase Council tax levels by up to 3% in real terms (4.84% cash);
  - Specific grant funding has been included for the continued rollout of expansion of early learning and childcare.

### **Taxation Powers**

#### **Non-Domestic Rates**

- 3.32 The 2020/21 NDR poundage rate has been provisionally set at 49.8p. The increase (from 49.0p in 2019/20) of 1.6% is below the rate of inflation.
- 3.33 Transitional arrangements (including 'transitional relief') are proposed to continue until the next revaluation in 2022 for hospitality properties (with a rateable value up to £1.5m) and offices in Aberdeen City and Shire. The level of the cap on bill increases from 2019/20 to 2020/21 will again be 12.5 % real terms (equivalent to 14.4% in cash terms).
- 3.34 The timescale for Empty property relief has been reset as recommended by the Barclay Review, from 6 weeks to 6 months. Small Business Bonus Scheme relief is removed for empty properties, i.e. will only apply to occupied properties.
- 3.35 Non-Domestic Rates (Scotland) Bill passed stage 3 in Parliament on 5 February 2020 and there is no immediate additional work for the Council, but primary legislation will be required to deliver a number of the Barclay Review recommendations.

### **Council Tax**



- 3.36 In calculating the Council Tax figures, the following assumptions have been made:
- Collection rates will be maintained at current levels;
  - The number of Band D equivalent properties will increase by 0.8%, such that projected income will increase by £0.98m.
- 3.37 As stated above, additional detail within the Financial Settlement for Local Government confirmed that the Council has flexibility to increase Council Tax by a maximum of 3% in real terms. This is the equivalent of 4.84% in cash terms.
- 3.38 The current Band D value for Aberdeen City is £1,324.33 per annum. The current Band D Scottish average is £1,251. These figures exclude water and waste water charges.
- 3.39 The impact of percentage increases in Council Tax by Band is shown in the table below:

Council Tax Band	2019/20 Council Tax Charge	Indicative 2020/21 Charge if percentage increase applied (rounded to nearest £)				
		3.00%	3.50%	4.00%	4.50%	4.84%
Band A	£ 882.89	£ 909	£ 914	£ 918	£ 923	£ 926
Band B	£ 1,030.03	£ 1,061	£ 1,066	£ 1,071	£ 1,076	£ 1,080
Band C	£ 1,177.18	£ 1,212	£ 1,218	£ 1,224	£ 1,230	£ 1,234
Band D	<b>£ 1,324.33</b>	<b>£ 1,364</b>	<b>£ 1,371</b>	<b>£ 1,377</b>	<b>£ 1,384</b>	<b>£ 1,388</b>
Band E	£ 1,665.09	£ 1,715	£ 1,723	£ 1,732	£ 1,740	£ 1,746
Band F	£ 2,059.36	£ 2,121	£ 2,131	£ 2,142	£ 2,152	£ 2,159
Band G	£ 2,481.80	£ 2,556	£ 2,569	£ 2,581	£ 2,593	£ 2,602
Band H	£ 3,104.89	£ 3,198	£ 3,214	£ 3,229	£ 3,245	£ 3,255

*Note: Figures exclude water supply and waste water collection charges collected on behalf of Scottish Water*

Council Tax	2019/20	Estimated Additional Income Collected				
	£'000	£'000	£'000	£'000	£'000	£'000
Collectable	122,516	3,675	4,288	4,901	5,513	5,930
		extra c/w 3%	613	1,225	1,838	2,254

- 3.40 A 4.84% increase in Council Tax would generate £5.9m of additional income to the Council to fund the services it provides. The decision to increase Council Tax is part of the budget setting process and is required as part of considering this report.

#### **Devolution of Fiscal Powers to Local Government**

- 3.41 The Scottish Government has proposed to allow Councils to introduce a number of levies, including Transient Visitor Levy (TVL); Workplace Parking Levy (WPL); and Infrastructure Levy.
- 3.42 The Scottish Government consulted on the development of a TVL, the Council submitted a response to the consultation prior to the consultation closing in December 2019.
- 3.43 It is expected that a Bill on a levy will be laid out to Parliament before the summer 2020 recess which should pass through the Scottish Parliament in

2020/21. This means that the earliest the powers could be available to Councils is summer 2021, subject to any provisions in the Bill. A further update will be provided to the City Growth and Resources Committee by December 2020, as part of a report on the budget options for 2021/22 and 2022/23.

- 3.44 The Scottish Parliament passed the WPL as part of the Transport (Scotland) Bill, which gained Royal Assent on 15 November 2019. This gives local authorities the power to introduce a WPL for all or part of their area and the money raised must be used for transport purposes. A statutory process will need to be followed with further detail likely to emerge in regulations from Scottish Ministers. The implications of the WPL are therefore not expected to be applicable to the next financial year and officers will track the progress of regulations to inform financial planning.
- 3.45 The Planning Act (2019) grants enabling powers to the Scottish ministers to make regulations for an infrastructure levy which would be operated by the planning authorities. However, it is silent about how the levy would work in practice and further regulation would have to be set before the power could be used. Officers will continue to look at what this Levy might mean for future budgets.

### **Service Income**

#### Specific Grants and Recharges

- 3.46 The council receives a significant amount of funding during the year from specific grants (for example DWP funding for Housing Benefits and funding from the Scottish Government for Early Learning and Childcare and Pupil Equity Funds) and recharges other Council accounts for work done (for example to the Housing Revenue Account and Capital Programme).
- 3.47 The income from these programmes of work and specific activities is reviewed regularly and takes account of changes that are expected when planning the budget. A significant change in 2020/21 includes the expansion of the Early Learning and Childcare, with additional income £9.2m having been announced in the financial settlement. The impact of additional income is offset by the commitment to additional expenditure.

#### Fees and Charges

- 3.48 Fees and charges raised locally enable the Council to fund some of the services it provides.
- 3.49 At its meeting on 27 November 2018, the City Growth and Resources Committee considered and approved the Service Income policy for implementation on 1 January 2019. Proposals for fees and charges have taken into account the new policy.
- 3.50 The policy set out a framework for setting fees and charges and included:
- Charges will be set annually as part of the budget process;
  - Councillors will take a lead role in setting aims and priorities for charges and concessions; and
  - Clear corporate principles and service objectives will be set out for how charges and concessions are applied.

- 3.51 As a vital component of the budget, fees and charges have been given significant attention when preparing the redesign work (described below). The proposed changes to prices are included in the schedule of fees and charges at Appendix 8.

## BALANCING THE BUDGET

### Our Commissioning Led Approach to Financial Planning 2020/21

- 3.52 The Strategic Commissioning Committee (COM/18/292) initially approved the Council's approach to outcome-based commissioning in November 2018. Building on this, the Committee subsequently (COM/19/329) reviewed the implementation of the approach and approved a joint strategic commissioning approach for both the Council and Aberdeen Integration Joint Board in August 2019. This approved strategic commissioning approach provides the basis for the development of the Council's planning and budgeting.
- 3.53 Strategic commissioning includes assessing and forecasting needs; linking investment to agreed outcomes; considering options; planning the nature, range and quality of future services; and putting these services in place. For Aberdeen City Council, this is reflected in the key elements of a commissioning led approach to planning and budgeting, shown in the figure below.



- 3.54 Adopting this commissioning led cycle ensures that:
- agreed outcomes, and the strategies for delivering those outcomes, are addressing the needs of the city; (**Population Needs Assessment (PNA)**, **Local Outcomes Improvement Plan (LOIP)**, **Strategies**)
  - annual planning and commissioning intentions focus on implementing our strategic priorities; (**Council Delivery Plan**, **Commissioning Intentions**)
  - the agreed levels of service to be delivered are affordable and reflect the demand for those services; (**Service Standards**)
  - a balanced budget is set which aligns to those commissioning intentions and service standards (**Budget**)
- 3.55 This report provides the culmination of the annual Commissioning cycle with the reporting of the Commissioning Intentions (Appendix 10), Services Standards (Appendix 11) and the Financial Model and budget redesign (Appendix 6).

### Data Led Analysis of Services and Service Design

3.56 In line with the strategic commissioning approach, the 2020/21 planning and budgeting process began in early 2019/20 with a data led, service by service analysis of service demand; statutory duties; workforce; digital transformation; contracts; assets and fees & charges. This has provided the basis for designing the services for 2020 onwards which will most effectively deliver improved outcomes.

3.57 *Demand Management* - A consistent approach has been taken to the analysis of demand. This approach has provided a model to classify the nature of demand; gain a greater understanding of how to meet that demand differently; and reduce future demand upon services. This will result in a shift away from responsive “negative” demand to planned “value” demand.

3.58 The following classification of demand has been adopted:

- *Value Demand* - these are the demands we want customers to place on the system. These prevent future negative demand through earlier intervention.
- *Negative Demand* - turning off negative demand has an immediate impact on our capacity and resources. Negative demand is further sub-divided into:

<i>Failure demand</i>	- Demand from service failure or poor design
<i>Avoidable demand</i>	- Demand arising from behaviours that can be influenced or changed
<i>Excess demand</i>	- Providing a higher level of service than is needed to meet demand
<i>Co-dependent demand</i>	- Demand unintentionally reinforced and entrenched by service dependence
<i>Preventable demand</i>	- Demand which could have been prevented by intervening earlier

3.59 Each of the Council’s services have undertaken this demand analysis and it has underpinned the design of services for 2020/21 and beyond, which will reduce negative demand and include the identification of related options for reducing cost to ensure the services to be commissioned and the level/standards at which these are delivered are affordable within available resources. A high-level summary of the service redesign options developed are contained in Appendix 6.

3.60 Where service redesign has resulted in a need to amend existing staff structures, within the Council’s functional structure, these have been developed into business cases for consultation both informally and formally according to our usual procedures and in accordance with our legal obligations to consult with staff and trade unions, which will continue following the Council meeting.

**Organisational Structure**

3.61 A direct consequence of the service redesigns is a clear picture of the organisational structure for the future, moving the Council from an interim structure to a final one.

- 3.62 The functional structure remains as approved by Council (OCE/17/015), with a shift of Clusters to facilitate effective future operation. The changes are shown in the organisational chart included at Appendix 12. A single recommendation for approval by Council is made in relation to the final structure.

### **Summary**

- 3.63 The effect of service redesign is described in Appendix 6 and is represented by the list of changes that amount to a total of £38m, shown in Appendix 7. There is a difference in the presentation of the information to avoid duplication in Appendix 6 descriptions and means that there is more specific detail included in Appendix 7 that highlight the key changes being proposed. This list is designed to assist in understanding the impact of redesign and where the Council proposes to achieve cost reductions and income generation to balance the budget.
- 3.64 It is clear that the impact will be felt across the Council, with an expected reduction in workforce through voluntary policies and natural turnover; a change to the level and type of services the Council procures and commissions, as well as increasing charges for services, which will impact on individual and business customers.
- 3.65 The Council must decide how it balances the budget, having taken into account the information contained in this report and in the scrutiny that they have done prior to the Council meeting. If the redesign in its entirety was accepted as presented in this report, then a balance budget would be achieved.

### **Referrals from Committee – items not included in the financial model**

- 3.66 Appendix 9 provides details of items that have not been included in the financial model for 2020/21 revenue figures. These items relate to revenue expenditure or loss of income and may be based on the impact of capital projects and transactions.
- 3.67 Should the Council wish to accept all or some of these items into the 2020/21 budget, identification of further savings options will be required to allow this, such that the overall budget position is balanced, as is required by statute.

## **GROUP ACCOUNTS**

### **Subsidiaries, Joint Ventures and Associates**

- 3.68 The Council has several subsidiaries, joint ventures and associates as defined by accounting requirements. Whilst these organisations are responsible for service delivery, the Council provides significant funding to them and therefore remains responsible for ensuring that public funds are used properly and demonstrate best value. In addition to funding provided by the council, these arm length bodies also have discretionary and statutory fees and charges as a further source of income.
- 3.69 The table below provides details of the funding levels currently included in the 2020/21 budget model for these organisations, along with the values as presented by officers as part of the redesign plans for 2020/21. Notes,

thereafter, describe the recommended actions in relation to the Group entities, if relevant:

Organisation	Funding 2019/20 £m	Budget Proposal 2020/21 £m	Funding Change from 2019/20 £m	Funding Change from 2019/20 %
Bon Accord Care (S)	30.250	See note below		
Sport Aberdeen (S)	5.476	4.928	(0.548)	(10)
Aberdeen Sport Village (JV) – (contract year 1 Aug to 31 Jul)	0.889	0.845	(0.044)	(5)
Integration Joint Board (JV)	88.937	92.468	3.531	4
Grampian Valuation Joint Board (A)	1.741	1.741	0	0

#### Bon Accord Care

- 3.70 Bon Accord Care is a subsidiary and is funded through the IJB, which is required to indicate the value of the services to be provided through the contract and is therefore included for information only. The impact of an option to reduce IJB funding, see below, may have a direct impact on Bon Accord Care.

#### Sport Aberdeen

- 3.71 Sport Aberdeen is a subsidiary and currently receives funding for the provision of a range of leisure facilities across the city. The proposals set out in this report reduce the value of funding that would be awarded to the organisation. The ultimate decision on how that funding reduction was implemented would be taken by the Sport Aberdeen Board.

#### Aberdeen Sports Village

- 3.72 The Sports Village is a joint venture with the University of Aberdeen, and this means that proposals by the Council to reduce funding will be matched by the University. The Board would be responsible for changes required as a result of reduced funding.
- 3.73 The partnership agreement refers to funding being approved on the basis of the Contract Year – which is different from the Council’s financial year. The impact on the Council of any change is part-year for the forthcoming financial year, and this is factored into the budget proposals.

#### Aberdeen City Health and Social Care Partnership Integration Joint Board (IJB)

- 3.74 The IJB is a joint venture and is funded by both the Council and NHS Grampian (NHSG).
- 3.75 The IJB then directs the Council and NHSG to provide adult social care and health services for which it pays the Council and NHSG as appropriate. The costs the Council incurs in providing those services are included within the relevant services budget. This can be summarised as follows:

	<b>Budget Model 2020/21 Net £m</b>	<b>Value of savings Options £m</b>	<b>Potential 2020/21 Funding Position £m</b>
Estimated net cost of services provided by Aberdeen City Council	129.5	(5.7)	123.8
Less: Allocation to the IJB by the Council	(88.9)	0	(88.9)
Less: Changes per 2020/21 Council Financial Settlement affecting allocations to the IJB (see Note i)	(3.5)	0	(3.5)
<b>Additional cost to be IJB</b>	<b>37.1</b>	<b>0</b>	<b>31.4</b>
<b>Represented by:</b>			
Funding routed through the IJB via the NHSG financial settlement	31.4	0	31.4
Impact of demand, pay and price inflation, to be met by savings to be agreed by IJB	5.7	0	0
<u>Note i:</u> The Scottish Government has announced £100m across Scotland that should be passported through to the IJB locally by Councils. A proportion of this (£4m) is for School Counselling (mental health) services, which will be directed to schools in line with 2019/20.			

3.76 The IJB meets on the 10 March 2020 to consider its 2020/21 financial position and medium-term financial strategy.

3.77 Additional funding included in the Council's General Revenue Grant for 2020/21 that has to be paid over to the IJB amounts to £3.001m in relation to Health and Social Care Funding, £0.444m for the implementation of the Carers (Scotland) Act 2016 and £0.086m for Free Personal Care to Under 65's. A total of £3.531m representing new expenditure, and as noted above, there is further funding that will be distributed with the same conditions.

3.78 The Council will be complying with the terms of the Financial Settlement by passporting the funding to the IJB.

Grampian Valuation Joint Board (GVJB)

3.79 Funding has been proposed as 'flat cash', although the GVJB has still to approve its budget and therefore confirm the requisition amount for 2020/21. The requisition is based on its approved budget using the agreed share per constituent council (Aberdeen City 39%).

3.80 The value requisitioned by the GVJB amounts to £1.741m for 2019/20.

3.81 The 2020/21 Financial Settlement has an increased allocation of funding included for the Barclay Review recommendations. This is part of the General Revenue Grant and is not ring-fenced funding, therefore the Council has discretion about how it uses the money allocated.

Arm's Length External Organisations (ALEO)

3.82 In addition to the Group companies, the Council recognises that it has a close relationship with organisations to which it provides significant levels of funding. It carries out increased scrutiny of ALEOs, through the ALEO hub.

### Aberdeen Performing Arts

- 3.83 Aberdeen Performing Arts is classified as an ALEO from a Council perspective, although it fails the accounting tests in terms of being a Group Entity.
- 3.84 The basis for this is the value of funding that the Council contributes to the organisation on an annual basis. The proposals set out in this report reduce the value of funding that would be awarded to the organisation. The ultimate decision on how that funding reduction would be implemented would be taken by the Board.

Organisation	Funding 2019/20 £m	Budget Proposal 2020/21 £m	Funding Change from 2019/20 £m	Funding Change from 2019/20 %
Aberdeen Performing Arts (ALEO) (including Granite Noir and True North event funding)	0.985	0.887	(0.098)	(10)

## **CAPITAL INVESTMENT – GENERAL FUND**

### **Capital Income – Scottish Government Grant**

- 3.85 The level of General Capital Grant provided by the Scottish Government is advised through the Local Government Finance (Scotland) Settlement 2020-21 (Finance Circular No. 1/2020) dated 6 February 2020. The General Capital Grant for 2020 is £18.7m, with a further £6.4m of specific grant available for Early Years Expansion programme and Cycling, Walking and Safer Streets (CWSS) projects.
- 3.86 The core capital grant for 2020/21 is a reduction of £4.5m (19.4%) on a like for like basis with 2019/20.
- 3.87 It is reasonable to expect the change in grant for a single year to be managed through cashflow and the timing of borrowing however shortfall in the grant increases the overall capital borrowing requirement, which is a key factor in applying the Prudential Code to the Council's capital planning. This also puts pressure on the position that has been outlined to Moody's in relation to the management of total debt for the General Fund, where they expect debt to stabilise and begin to fall during the next three to four years.
- 3.88 Included in the financial settlement is the announcement of a Heat Networks Early Adopters challenge fund. This will be for capital expenditure, aimed at match funding (up to 50%) for appropriate projects. The fund will be competitive so bids will have to be submitted. Details are yet to be drawn up but will be done in conjunction with COSLA and announced early in financial year 2020/21.

### **Capital Income – Borrowing**

- 3.89 Budgeted capital expenditure over the next five years is £410.5m (including forecast reprofiling of unspent budgets in 2019/20), with associated funding, excluding borrowing, of £193.3m. The balance of £217.2 will require to be funded by borrowing.



- 3.90 Borrowing commits the Council to ongoing revenue costs over many years. It is therefore essential that borrowing is affordable and sustainable in future. The borrowing levels are in line with previous projections and continue to reflect the position described to Moody's, the credit rating agency.

### **Capital Programme**

- 3.91 The Council has been delivering against the Strategic Infrastructure Plan over recent years and this is now nearing completion, with the majority of projects either underway or completed. Appendix 2 shows the current projected profile of spend based on where various contracts are and expenditure patterns.
- 3.92 In preparing the General Fund Capital Programme for 2020/21 to 2024/25 (Appendix 2) due cognisance has been given to the ongoing revenue pressures within the Council to set a balanced budget. Primarily, this means that new capital investment adds further revenue pressure into the system and with the capital grant allocated to the Council in the financial settlement for 2020/21 this report describes the current programme and items referred to the budget process.
- 3.93 Appendix 2 is broken down into different sections for ease of understanding. It should be noted that in general expenditure is committed for most projects, with the following exceptions:
- Partially Legally Committed Projects. These are projects where part of the budget has been legally committed but there would be scope to potentially reduce expenditure.
  - Projects with an indicative Budget. These are projects where a legal commitment has not yet been entered into, nor has the procurement exercise been completed. Hence, the figures provided are indicative until such time as market pricing has been received.
- 3.94 The profiling of the capital programme has been updated to reflect the latest information, including forecasting the impact of underspending in 2019/20 on 2020/21-2024/25.
- 3.95 In the City Growth and Resources Committee report (RES/19/462) on 5 December 2019 the committee were advised of several updates to the current capital programme. These included Fleet Replacement (consideration of 'net zero' policy commitments); Berryden Corridor (consultation has now commenced); Replacement Primary Schools (design work has to be completed, and after procurement processes a final cost estimate based on market rates can then be provided); Safety and Security Measures (including CCTV works and co-location opportunities, where the intention is to share costs with interested partners).
- 3.96 A separate report on the same agenda (RES/19/434) provided an update on the programme for the redevelopment of Queen Street approved the preparation of a Full Business Case in relation to the Mortuary. This work is expected to be carried out during 2020 and will be reported to Council/Committee once complete. The funding for the business case is included in the Capital Programme for 2020/21 and it is important to acknowledge the integrated nature of the project, that it relies on the funding from partners to deliver it. To this end there is a need for the business case

to be clear on the commitment and funding mechanism between partners. Partners include, but are not limited to, NHS Grampian, Aberdeenshire Council, The Moray Council, Orkney Islands Council, Shetland Islands Council and Crown Office and Procurator Fiscal Service.

### **Referrals to the Budget Process**

- 3.97 A number of capital projects have been brought forward for consideration as part of the budget setting process and information has been provided to Councillors in relation to the business cases and justification for considering them as part of the future capital investment in the city. A summary of the projects is included at Appendix 3.

### **Additional Capital Investment**

- 3.98 Appendix 3 also includes details of capital investment that the Council can consider in setting their budgets for 2020/21.

## **IMPACT ON BALANCE SHEET OF BUDGET DECISIONS**

- 3.99 The result of the decisions Council takes in setting its budget will be reflected in the Council's Balance and Reserves, and the proposals in this report reflect the following impact on the Council.

<b>Use of Reserves &amp; Funds</b>	<b>Projected Balance at 31 March 2020 £m</b>	<b>(Budgeted Use) / Contribution to Reserves 2019/20 £m</b>	<b>Projected Balance at 31 March 2021 £m</b>
<i>General Fund:</i>			
Earmarked	19.998	(12.253)	7.745
Uncommitted	12.000	0	12.000
<i>Housing Revenue Account:</i>			
Earmarked	2.521	(2.521)	0
Uncommitted	9.787	500	10.287
<i>Statutory Funds:</i>			
Capital Fund	5.575	(5.575)	0
Insurance Fund	1.916	0	1.916
City Improvement Fund	0.329	0	0.329
Lord Byron Fund	0.005	0	0.005
<b>Total</b>	<b>52.131</b>	<b>(19.849)</b>	<b>32.282</b>

## **4. FINANCIAL IMPLICATIONS**

- 4.1 The level of useable reserves that the Council has, projected at 31 March 2020, means that there is no specific opportunity to draw one-off funding from reserves to balance the revenue budget.
- 4.2 Savings options totalling £38.3m (including 3% Council Tax increase) are presented for consideration by Council.
- 4.3 Council must approve savings options to a level whereby at least a balanced budget is achieved, £37.9m, and take account of the revised Reserves Policy

that recommends no less than £12m as an uncommitted General Fund Reserve at the end of the financial year.

- 4.4 Approval of the redesign of services and cost reduction above this level will have a positive impact on the Council by, a) providing a buffer to mitigate the risk of further cost/demand pressures materialising; b) providing a buffer to mitigate the risk of savings options not progressing as expected; and c) assuming a) and b) do not materialise, by enabling the level of resources held to be increased which will improve overall financial sustainability.

## 5. LEGAL IMPLICATIONS

- 5.1 The Local Government Finance Act 1992 requires the Council to set its Council Tax for the next financial year before 11 March each year.
- 5.2 The Act provides that the Council Tax amount set shall be sufficient to meet total estimated expenditure. This means that having taking 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.
- 5.3 The Council has a legal obligation to comply with the public sector equality duty and the Fairer Scotland duty. While preliminary impact assessments have been carried out, further work will be required to ensure the Council complies with these duties.

## 6. MANAGEMENT OF RISK

	<b>Risk</b>	<b>Low (L), Medium (M), High (H)</b>	<b>Mitigation</b>
<b>Financial</b>	Assumptions and judgements used for budget model and options are very different from what the Council faces in 2020/21 leading to additional action having to be taken during the year.	M	The latest and most up to date information has been used to calculate and shape the budget model and will continue to be refined in advance of the Budget Report being prepared.
	Poor financial sustainability	M	Process in place for regular updates of medium-term financial position including recognition of potential future liabilities
	Poor management of large and complex budgets.	L	Regular review of financial information by

	<p>Non-delivery of savings options leading to overspends against budget.</p> <p>Variation in tender prices for capital projects, following procurement against the costs assumed at the time of project approval.</p> <p>Insufficient capital receipts to pay for voluntary severance costs that are assumed.</p>	<p>M</p> <p>M</p> <p>L</p>	<p>services and corporately by Elected Members.</p> <p>Savings options are assessed in terms of deliverability.</p> <p>Use of suitably qualified staff or external body to quantify and review indicative project costs.</p> <p>Projected year end value of Capital Fund, and anticipated capital receipts is regularly reviewed. Affordability requires to be revisited as the extent of capital receipts and values are uncertain in the current climate.</p>
<b>Legal</b>	<p>The statutory duty to set Council Tax and a balanced budget is not achieved.</p> <p>Non-compliance with public sector equality and Fairer Scotland duties</p>	<p>L</p> <p>L</p>	<p>Suitable recommendations are contained within this report to adequately prepare to comply with this duty.</p> <p>Preliminary impact assessments have been undertaken. More detailed impact assessments to be undertaken on a case by case basis as budget savings are advanced, as required.</p>
<b>Employee</b>	<p>Workforce doesn't reduce to the extent that is required to achieve savings.</p> <p>Introduction of additional statutory duties will increase workloads</p>	<p>M</p> <p>M</p>	<p>Continued action to manage posts and to redesign services within the financial constraints.</p> <p>Continuing review of opportunities to reduce rework/overlap in workloads</p>

<b>Customer</b>	There is a risk that customer complaints increase as a result of changes to service standards and during transition to digital solutions.	M	Communication and monitoring of change milestones to customers as determined by project plans.
<b>Environment</b>	Failure to recognise the national targets and to make choices that support the delivery of target.	M	Service redesign work will consider, where appropriate, the environmental impact of changes.
<b>Technology</b>	Failure to invest in and embed new technology and digital solutions will place savings options at risk.	H	Funds set aside in the Transformation Fund provide the means of securing and supporting the significant shift that is needed by the Council. Maintaining the unspent value as an earmarked reserve is critical.
<b>Reputational</b>	Failure to properly manage finances including the potential impact on the Council's credit rating.  Focus on cuts may have a negative impact on citizens' view of service delivery	L  M	Regular review of financial information by services, CMT and Elected Members throughout the financial year.  Highlight positive changes achieved despite financial constraints.

### Examples of Financial Risks in relation to Assumptions and Judgements

6.1 In arriving at the above budget model for 2020/21 it is important that Council is aware of the risks associated with assumptions and judgements that have been made as they cover significant areas of Council expenditure and income. The impact of them being different from what the Council experiences next year could have a material impact on the budget. These need to be closely monitored during the year and reported with appropriate actions recommended. Key assumptions and judgements include the following:

6.1.1 Pay Award – the current national pay bargaining agreement runs until March 2021 and for 2020/21 has been agreed at 3%. This brings a level of certainty to the costing of what is the largest single component of the budget, the pay bill. The number of staff employed will have a direct effect on the total pay bill at the end of the year.

- 6.1.2 Income levels from raising of charges and receipt of grants – Income generated by the Council is substantial however there remains the uncertainty of customer behaviour and changing economic factors that may affect the demand for services for which the Council charges and the total amount that it collects during the year. Similarly, there are assumptions built into the budget model in relation to grants that will be received. Overall there remains a risk that the total values received, against budget do not match.
- 6.1.3 EU Exit – The UK left the European Union on 31 January 2020, and there follows a period of transition, with a trade deal due to be in place by 31 December 2020. There remains uncertainty in relation to the full impact of the UK exit from the EU on the operation of the Council, for example the cost of goods and services, the availability of workforce and the potential need within the city. This means that the Council should be working to strengthen the balance sheet and continue to hold usable reserves that could be used in the event of financial implications that cannot be addressed within the budget.
- 6.1.4 Contingent Liabilities – These are issues that, whilst not certain and/or quantifiable at this time, may result in financial liabilities in the future. The Council’s exposure to these types of liabilities is reviewed formally annually as part of the Annual Accounts however each year it is important in setting the budget to acknowledge the potential for additional cost to arise that has not yet been quantified (see Appendix 13). For this reason, as with EU Exit, it is important that the Council continues to hold usable reserves that could be used in the event of these arising.

## 7. OUTCOMES

<b>Local Outcome Improvement Plan Themes – In addition to our contribution to the multi agency improvement projects outlined in the refreshed LOIP, Aberdeen City council, as a single agency, makes a contribution through its activities to the LOIP outcomes.</b>	
	<b>Impact of Report</b>
<b>Prosperous Economy</b>	The Council’s commissioning cycle specifically joins the allocation of resources, through the approval of the budget, with the intention to deliver on the LOIP. This is demonstrated in Appendix 10, Commissioning Intentions, where it is described how the stretch outcomes intend to be achieved.
<b>Prosperous People</b>	The Council’s commissioning cycle specifically joins the allocation of resources, through the approval of the budget, with the intention to deliver on the LOIP. This is demonstrated in Appendix 10, Commissioning Intentions, where it is described how the stretch outcomes intend to be achieved.

**Local Outcome Improvement Plan Themes – In addition to our contribution to the multi agency improvement projects outlined in the refreshed LOIP, Aberdeen City council, as a single agency, makes a contribution through its activities to the LOIP outcomes.**

	<b>Impact of Report</b>
<b>Prosperous Place</b>	The Council’s commissioning cycle specifically joins the allocation of resources, through the approval of the budget, with the intention to deliver on the LOIP. This is demonstrated in Appendix 10, Commissioning Intentions, where it is described how the stretch outcomes intend to be achieved.

## **8. IMPACT ASSESSMENTS**

<b>Assessment</b>	<b>Outcome</b>
<b>Equality &amp; Human Rights Impact Assessment</b>	The Council must have due regard to protected characteristics under the Equality Act 2010. The budget proposals presented in this report have been subject to an equality impact assessment screening. The assessments identify how protected characteristics may be impacted and where it is deemed high risk a more detailed assessment has been carried out. A link is included in section 9 with details.
<b>Data Protection Impact Assessment</b>	Not required
<b>Duty of Due Regard / Fairer Scotland Duty</b>	Budget proposals presented in this report have been subject to consideration of the Fairer Scotland Duty for which the Council must have due regard where appropriate.

## **9. BACKGROUND PAPERS**

Scottish Government Finance Circulars  
 CIPFA “The Prudential Code for Capital Finance in Local Authorities  
[Equalities Impact Assessment & Screening](#)

## **10. APPENDICES**

Appendix 1 – Projected Balance Sheet as at 31 March 2020  
 Appendix 2 – General Fund Capital Programme 2019/20 to 2023/  
 Appendix 3 – Capital items referred to the budget process  
 Appendix 4 – Prudential Indicators  
 Appendix 5 – Reserves Policy 2020  
 Appendix 6 – Commissioning Led Approach and Service Redesign  
 Appendix 7 – Revenue savings included in Redesign

Appendix 8 – Fees and Charges proposals  
Appendix 9 – Revenue items referred to the budget process  
Appendix 10 – Commissioning Intentions  
Appendix 11 – Service Standards  
Appendix 12 – Final Organisational Design  
Appendix 13 – Contingent Liabilities  
Appendix 14 – Medium-Term Financial Projection assumptions

## **11. REPORT AUTHOR CONTACT DETAILS**

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## Projected Balance Sheet as at 31 March 2020

31 March 2019 £'000		31 March 2020 £'000
2,438,882	Property, Plant & Equipment	2,674,414
197,691	Heritage Assets	197,691
145,832	Investment Property	145,832
17,638	Long Term Investments	17,638
7,592	Long Term Debtors	8,323
<b>2,807,636</b>	<b>Long Term Assets</b>	<b>3,043,898</b>
70,520	Cash and Cash Equivalents	53,002
45,213	Short Term Investments	51,752
92,158	Short Term Debtors	70,720
1,832	Inventories	15,264
5,693	Assets Held for Sale	5,693
<b>215,417</b>	<b>Current Assets</b>	<b>196,431</b>
(197,228)	Short Term Borrowing	(213,875)
(80,860)	Short Term Creditors	(71,066)
(5,259)	Short Term Provisions	(3,408)
(4,230)	PPP Short Term Liabilities	(3,057)
(5,607)	Accumulated Absences Account	(5,607)
(2,989)	Grants Receipts in Advance - Revenue	(471)
(13,091)	Grants Receipts in Advance - Capital	(25,747)
<b>(309,264)</b>	<b>Current Liabilities</b>	<b>(323,233)</b>
(895,954)	Long Term Borrowing	(1,053,804)
(58,029)	Finance Lease	(57,602)
(13)	Long Term Creditors	(13)
(551)	Long Term Provisions	(551)
(138,223)	PPP Long Term Liabilities	(135,165)
(332,108)	Pension Liabilities	(332,108)
<b>(1,424,877)</b>	<b>Long Term Liabilities</b>	<b>(1,579,243)</b>
<b>1,288,911</b>	<b>Net Assets</b>	<b>1,337,853</b>
	Usable Reserves:	
(35,054)	General Fund Balance	(31,998)
(12,308)	Housing Revenue Account	(12,308)
(10,825)	Statutory and Other Reserves	(7,825)
(1,230,724)	Unusable Reserves	(1,285,721)
<b>(1,288,911)</b>	<b>Total Reserves</b>	<b>(1,337,853)</b>

## General Fund Capital Programme 2020/21 to 2024/25

Outturn 2019/20			Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	5 Year Total
£'000	NHCP No.		£'000	£'000	£'000	£'000	£'000	£'000
<b>Projects Due for Completion in 2019/20</b>								
663	776	Orchard Brae	0	0	0	0	0	0
5	794	Hydrogen Buses	0	0	0	0	0	0
885	805	Technology Investment Requirements & Digital Strategy	0	0	0	0	0	0
340	808B	New Academy to the South - Infrastructure Improvements	0	0	0	0	0	0
524	810G	Co-mingled MRF & Depot	0	0	0	0	0	0
43	843	Station House Media Unit Extension	0	0	0	0	0	0
50	850	Community Growing Spaces	0	0	0	0	0	0
3,144	856	Acquisition of Kingsmead Nursing Home	0	0	0	0	0	0
17	857	Central Library Roof & Parapets	0	0	0	0	0	0
73	858	Crematorium Refurbishment	0	0	0	0	0	0
397	859	ICT: Human Capital Management System	0	0	0	0	0	0
1,351	870	Town Centre Fund	0	0	0	0	0	0
230	871	Low Emissions Zone	0	0	0	0	0	0
<b>7,722</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Rolling Programmes</b>								
4,727	294	Corporate Property Condition & Suitability	9,673	9,273	8,950	8,000	8,000	43,896
70	70	Northfield Swimming Pool	2,215	2,215	50	0	0	4,480
374	551	Cycling Walking Safer Streets	374	0	0	0	0	374
2,092	765G	Nestrans Capital Grant	3,602	1,295	1,295	1,295	1,295	8,782
750	779	Private Sector Housing Grant (PSHG)	956	700	700	700	700	3,756
5,355	784	Fleet Replacement Programme (including Zero Waste Strategy Fleet)	4,376	7,214	4,500	4,700	4,900	25,690
5,060	789	Planned Renewal & Replacement of Roads Infrastructure	6,853	4,968	4,968	4,968	4,968	26,725
577	789E	Street Lighting	941	1,000	1,000	1,000	1,000	4,941
1,688	835	Street Lighting LED Lanterns (PACE 5 Year programme)	2,505	1,946	700	0	0	5,151
1,580	861	Additional Investment in Roads	4,136	4,000	0	0	0	8,136
<b>22,273</b>			<b>35,631</b>	<b>32,611</b>	<b>22,163</b>	<b>20,663</b>	<b>20,863</b>	<b>131,931</b>
<b>City Region Deal</b>								
0	825	City Deal	44	0	0	0	0	44
105	845	City Deal: Strategic Transport Appraisal	200	613	0	0	0	813
2,000	846	City Deal: Aberdeen Harbour Expansion Project	0	0	0	0	0	0
8	847	City Deal: Digital Infrastructure	1,600	1,871	0	0	0	3,471
108	852	City Deal: City Duct Network	2,000	2,873	0	0	0	4,873
220	854	City Deal: Transportation Links to Bay of Nigg	0	0	0	0	0	0
1,044	860	City Deal: Expand Fibre Network	909	0	0	0	0	909
84	862	City Deal: Digital Lead	189	90	45	0	0	324
60	863	City Deal: Regional Data Network	90	0	0	0	0	90
60	864	City Deal: Sensor Network	90	0	0	0	0	90
<b>3,689</b>			<b>5,122</b>	<b>5,447</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>10,614</b>
<b>Fully Legally Committed Projects</b>								
150	587	Access from the North / 3rd Don Crossing	1,238	0	0	0	0	1,238
6,505	627	Aberdeen Western Peripheral Route	7,000	7,000	443	0	0	14,443
6,799	799B	Art Gallery Redevelopment - Main Contract (HLF)	0	0	0	0	0	0
2,083	807	A96 Park & Choose / Dyce Drive Link Road	100	0	0	0	0	100
164	810C	Energy from Waste (EfW) Procurement and Land Acq.	1,147	0	0	0	0	1,147
18,523	810K	Energy from Waste (EfW) Construction	25,634	25,843	0	0	0	51,477
1,300	819	Tillydrone Community Hub	1,475	25	0	0	0	1,500
92,044	821	New Aberdeen Exhibition & Conference Centre	3,500	0	0	0	0	3,500
1,796	824	Provost Skene House	1,459	35	0	0	0	1,494
6,545	824	Union Terrace Gardens	18,732	824	0	0	0	19,556
0	828	Greenbrae Primary Extension and Internal Works	582	0	0	0	0	582
46	831	Stoneywood Primary	544	0	0	0	0	544
3,357	848	JIVE (Hydrogen Buses Phase 2)	5,023	0	0	0	0	5,023
250	849	Cruyff Court	49	0	0	0	0	49
800	873	New Shared Mortuary Facility - Design	0	0	0	0	0	0
<b>140,362</b>			<b>66,483</b>	<b>33,727</b>	<b>443</b>	<b>0</b>	<b>0</b>	<b>100,653</b>
<b>Partially Legally Committed Projects</b>								
0	791	Strategic Land Acquisition	4,093	0	0	0	0	4,093
600	806B	CATI - Berryden Corridor (Combined Stages 1, 2 & 3)	8,450	1,553	1,803	0	0	11,806
2	811	Social Care Facilities - Len Ironside Centre	83	0	0	0	0	83
525	812	Kingsfield Childrens Home	566	10	0	0	0	576
635	820	Investment in Tenanted Non-Residential Property Portfolio	2,235	0	0	0	0	2,235
1,282	824	City Centre Regeneration	873	1,000	300	0	0	2,173
10	836	Flood Prevention Measures: Flood Guards Grant Scheme	100	100	100	100	64	464
62	844	Sustrans Active Travel Infrastructure Fund	291	0	0	0	0	291
3,492	855	Early Learning & Childcare	12,365	7,040	0	0	0	19,405
1,250	869	Safety and Security Measures (including CCTV)	1,440	1,570	0	0	0	3,010
<b>7,858</b>			<b>30,496</b>	<b>11,273</b>	<b>2,203</b>	<b>100</b>	<b>64</b>	<b>44,136</b>
<b>Projects with indicative budgets</b>								
500	806A	South College Street (Phase 1)	3,800	5,550	850	0	0	10,200
510	809	New Milltimber Primary	9,570	13,648	200	0	0	23,418
0	810J	Bridge of Don Household Waste Recycling Centre (HWRC)	50	50	1,300	0	0	1,400
150	810K	Torry Heat Network	1,950	12,800	0	0	0	14,750
0	838	Flood Prevention Measures: Millside & Paddock Peterculter	0	0	2,000	1,000	0	3,000
1,550	840	Tillydrone Primary School	7,600	12,292	3,050	400	0	23,342
2,570	841	Torry Primary School and Hub	10,070	11,603	285	0	0	21,958
1,338	865	Countesswells Primary	8,950	14,471	225	0	0	23,646
250	868	Car Parking Infrastructure	1,050	0	0	0	0	1,050
0	872	Smart City	360	0	0	0	0	360
<b>6,868</b>			<b>43,400</b>	<b>70,414</b>	<b>7,910</b>	<b>1,400</b>	<b>0</b>	<b>123,124</b>
<b>188,772</b>		<b>Totals</b>	<b>181,132</b>	<b>153,472</b>	<b>32,764</b>	<b>22,163</b>	<b>20,927</b>	<b>410,458</b>



## Capital items referred to the budget process 2020/21

### Items Referred to the Budget Process

The following items have been referred to the budget process, which the Council is asked to provide a decision on whether they wish to take these projects further:

#### **Education Operational Delivery Committee – 6 November 2018**

##### **St. Peter's Long-Term Educational Provision – Proposed Investment in Riverbank School Building – RES/18/179**

The Committee resolved:

- ii. to agree to consult on the proposal to relocate St. Peter's RC School to the current Riverbank School building which relocation will take place once the new Riverbank replacement primary school becomes operational;
- v. to refer the proposals for improving the Riverbank School building to the budget process.

#### **City Growth and Resources Committee – 26 September 2019**

##### Condition and Suitability 3 Year Programme and Northfield Pool Project – RES/19/301

The Committee resolved:

- ii. to note the currently approved projects and approves the amended estimated budgets for each project as shown in Appendix B, with the exception of the amended budget for the **Tullos Depot, Salt Store project**;
- viii. to refer the Tullos Depot, Salt Store Project and associated business case to the Council Budget meeting of 3 March 2020 for consideration.

### Additional Capital Investment

#### Developer Obligations

The Council will be aware that, through planning applications, it enters into section 75 agreements whereby a contribution is made from the applicant towards capital investment in infrastructure.

Generally, these projects will be undertaken during the year but there are several significant items that, in setting its budget, the Council should consider:

1. B999/Shielhill Road Junction Improvement;
2. Countesswells Secondary School and second Primary School; and
3. Bucksburn Academy.

#### B999/Shielhill Road Junction Improvement

- Financial implications are that Developer Obligation contributions amount to £0.3m and the scheme is estimated to cost £0.64m. This means that the Council would have to fund the balance, a cost of £0.34m

#### Countesswells Secondary School and second Primary School

- Financial implications are that the Developer Obligation contributions, from the entire development, equate to a combined £32 million for the 2<sup>nd</sup> primary and secondary school. The amount received so far is in excess of £3 million.

#### Bucksburn Academy

- Financial implications are that Developer Obligation contributions amount to £10.8m over the life of the programme, with £0.25m already received and £0.1m already committed to the project. Additional budget of £1.3m is sought for the development of the preferred option up to RIBA stage 4. This would allow the full business case to be developed. As all of the cost would be funded by developer obligations timing is the key risk, that developer obligation payments do not match the expenditure profile. The net cost however to the capital programme should be nil over the period.

#### Projects Council may wish to consider based on budget options selected

As part of the budget options being presented to the Council to allow a balanced budget to be set there are a number of options which would require capital investment to deliver the required savings:

#### **New Investment in Digital Transformation**

- £1.5m per annum for the replacement of devices and hardware to align Corporate and Education IT and ensure hardware is compatible with current operating systems which are no longer supported;
- £3.1m across 2020/21 to 2024/25 to invest in emergent technologies for improved connectivity and new server/cloud-based applications.

#### **Queen Street Development**

- The Council has now acquired two critical sites to help facilitate the redevelopment of Queen street. To allow the project to continue to progress a further £1.5 million is required to facilitate further land purchases and to allow masterplan works to commence. This would include modelling

#### **Campus based models for co-location & integration of public services**

- Investigate the feasibility of a new campus-based model for integration of services with public sector partners alongside fully flexible learning opportunities for all ages in the community.

Co-location could realise a significant decrease in the time taken for customers to access services, in keeping with primary prevention and early intervention objectives. Current multi-agency referral systems escalate needs, which leads to long term demand for services. The development of a campus model also provides a means of future proofing our estate as digital delivery of some courses is likely to change our perception of a 'school' building therefore offering a long term and sustainable option. To progress this option would cost approximately £250,000.

**ABERDEEN CITY COUNCIL  
2020/21 to 2024/25**

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

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

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

The key objectives of the Code are to ensure:

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

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

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

The Code requires the following Prudential Indicators to be set for the Council:

	<b>Capital Expenditure</b>						
	<b>2018/19 £'000 Actual</b>	<b>2019/20 £'000 Estimate</b>	<b>2020/21 £'000 Estimate</b>	<b>2021/22 £'000 Estimate</b>	<b>2022/23 £'000 Estimate</b>	<b>2023/24 £'000 Estimate</b>	<b>2024/25 £'000 Estimate</b>
Gen. Fund	182,713	188,772	181,132	153,472	32,764	22,163	20,927
HRA	39,118	46,760	62,150	63,892	54,350	39,019	31,926

	<b>Ratio of Financing Costs to Net Revenue Stream</b>						
	<b>2018/19 Actual</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
Gen. Fund	6.0%	6.9%	7.6%	9.1%	10.0%	9.9%	9.7%
HRA	7.7%	8.4%	9.6%	11.8%	14.7%	16.1%	17.0%

	<b>Capital Financing Requirement</b>						
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Gen. Fund	983,598	1,113,106	1,195,472	1,302,155	1,294,802	1,274,806	1,256,693
HRA	245,899	264,508	285,297	314,676	344,275	361,541	372,175
<b>Total</b>	<b>1,229,497</b>	<b>1,377,614</b>	<b>1,480,769</b>	<b>1,616,831</b>	<b>1,639,077</b>	<b>1,636,347</b>	<b>1,628,868</b>

	<b>Gross Borrowing</b>						
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Borrowing	1,019,685	1,169,392	1,322,135	1,428,737	1,569,897	1,597,167	1,600,306

The Prudential Code states:

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

The Chief Officer - Finance reports that the Council can meet this requirement in 2020/21, and it is expected to do so for the future years, as outlined, taking into account current commitments, existing plans, and the assumptions in this report.

	<b>Authorised Limit for External Debt</b>					
	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operational Boundary	1,543,555	1,646,710	1,782,772	1,805,018	1,802,288	1,794,809
10% Margin	154,355	164,671	178,277	180,502	180,229	179,481
<b>Total</b>	<b>1,697,910</b>	<b>1,811,381</b>	<b>1,961,049</b>	<b>1,985,520</b>	<b>1,982,517</b>	<b>1,974,290</b>

	<b>Operational Boundary for External Debt</b>					
	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing	1,347,302	1,453,904	1,595,064	1,622,334	1,625,473	1,622,881
Other Long-Term Liabilities	196,253	192,806	187,708	182,684	176,815	171,928
<b>Total</b>	<b>1,543,555</b>	<b>1,646,710</b>	<b>1,782,772</b>	<b>1,805,018</b>	<b>1,802,288</b>	<b>1,794,809</b>

# Revenue and Capital Reserves Policy

Approved by Council on 3 March 2020 with  
an implementation date of 3 March 2020





## Document Control

<b>Approval Date</b>	3 March 2020
<b>Implementation Date</b>	3 March 2020
<b>Policy Number</b>	
<b>Policy Author(s) and Owner</b>	Jonathan Belford
<b>Approval Authority</b>	Council
<b>Scheduled Review</b>	March 2021
<b>Changes</b>	

# Table of Contents

	Page
1. Purpose Statement	3
2. Application and Scope Statement	3
3. Responsibilities	4
4. Supporting Procedures & Documentation	4
The General Fund	5
The General Fund – Earmarked Reserves	5
The Housing Revenue Account	5
The HRA – Earmarked Reserve	6
5. Policy Statement	6
6. Definitions	6
7. Risk	7
8. Policy Performance	8
9. Design and Delivery	9
10. Housekeeping and Maintenance	9
11. Communication and Distribution	10
12. Information Management	10

# 1. Purpose Statement

- 1.1 The requirement for financial reserves is acknowledged in statute. Section 93 of the Local Government Finance Act 1992 requires Scottish authorities, in calculating the council tax, to take into account 'any means by which those expenses may otherwise be met or provided for'. This includes reserves.
- 1.2 The purpose of the policy is to explain why reserves are retained and to quantify the value of reserves that the Council should retain, enabling stakeholders to understand the reasons for retaining reserves.
- 1.3 The objective of the policy is to provide a framework that the Council should measure itself against when setting the budget to satisfy itself that the retention and holding of reserves is appropriate to the operating environment and risks the Council faces.

# 2. Application and Scope Statement

- 2.1 In Scotland there are explicit statutory powers under schedule 3 of the Local Government (Scotland) Act 1975 permitting certain local authorities to establish a renewal and repair fund, and insurance fund and a capital fund alongside a requirement to maintain a general fund (s.93 of Part VII of the Local Government (Scotland) Act 1973). Separate reserves can be established in Scotland only where there are explicit statutory powers. Scottish local authorities may however ' earmark ' specific parts of the General Fund reserve.
- 2.2 There are other safeguards in place that help to prevent authorities over-committing themselves financially. These include:
  - The balanced budget requirement (Local Government Finance Act 1992 s93);
  - Legislative requirements for each authority to arrange for the proper administration of their financial affairs and that the chief finance officer has responsibility for the administration of those affairs (s.95 of the Local Government (Scotland) Act 1973);
  - The requirements of the Prudential Code;
  - Auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.
- 2.3 Whilst it is primarily the responsibility of the authority and its chief financial officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.
- 2.4 CIPFA's Prudential Code requires the chief finance officers in authorities to have full regard to affordability when making recommendations about the authority's future capital programme. Such consideration includes the level of long-term revenue commitments. Indeed, in considering the affordability of its capital plans, the authority is required to consider all of the resources available to it/estimated for the future, together with the totality of its capital plans and revenue forecasts for the forthcoming year and the following two years. There is a requirement for three-year revenue forecasts across all authorities and this is achieved through the 5-year financial model. This provides ability to focus on the levels of reserves and application of authority balances and reserves.
- 2.5 Within the existing statutory and regulatory framework, it is the responsibility of the chief financial officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
- 2.6 CIPFA and the Local Authority Accounting Panel do not accept that there is a case for introducing a generally acceptable minimum level of reserves. Authorities on the advice of

their chief finance officers should make their own judgements on such matters taking into account all relevant local circumstances. Such circumstances will vary between authorities. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but also are necessary.

- 2.7 Imposing a generally applicable minimum level would also be counter to the promotion of local autonomy and would conflict with the financial freedoms introduced for Scottish authorities in the Local Government in Scotland Act 2003. Nor is it considered appropriate or practical for CIPFA, or other external agencies, to give prescriptive guidance on the minimum (or maximum) level of reserves required, either as an absolute amount or a percentage of budget.
- 2.8 In order to secure strong governance for the Council and a sustainable future, the principles of good legislative and best practice are important to underpin our approach. Further, in order to secure the confidence of our Bond investors and to retain our credit rating, the management of our reserves and balance sheet is an important check. Outline who is affected by the policy, and who/what it applies to;

### 3. Responsibilities

- 3.1 The Chief Officer – Finance is responsible for managing this policy, including providing advice and guidance to the Extended Corporate Management Team, Council and staff, in relation to the specific elements of the policy.
- 3.2 Breach or misuse of the policy is likely to have adverse consequences for financial planning in subsequent years and may require budget holders to adjust and adapt to revised financial controls during the year should the Chief Officer – Finance consider it necessary.
- 3.3 Non-compliance with the policy can be reported through service finance contacts, the Council's Accounting Manager or directly to the Chief Officer – Finance.
- 3.4 If you have feedback or suggestions for improvement in this policy, then please contact the Accounting Manager or Chief Officer – Finance.

### 4. Supporting Procedures & Documentation

- 4.1 This document aims to provide an over-arching policy that is applicable to the year ahead and is included in the budget report for the purposes of being considered at the time of budget setting.

#### **The General Fund (excluding Housing Revenue Account Reserves)**

- 4.2 It has previously been agreed by the Council that the General Fund will retain an uncommitted balance at a level based on a risk assessment of the factors impacting our finances; at 1 April 2019 this amounted to £10.5 million.
- 4.3 The purpose of this reserve is to provide for any unexpected expenditure that cannot be managed within existing budgets. Such expenditure would be one-off and resulting from an extraordinary event. The minimum amount for this reserve on a risk basis should be £12.0m, and the recommended amount is £12.0m.
- 4.4 The General Fund should be set at a prudent and not excessive level, as holding high level of reserves can impact on resources and performance. It is important to regularly consider the level of risks that are known and consider the potential internal and external factors

that may impact on the ability of the Council to delivery its strategic objectives, and to be financially prepared.

- 4.5 As the net budget position changes the level of General Reserve must be monitored to ensure the minimum level is maintained. This is particularly relevant where revenue carry forwards are identified as part of the year-end process.
- 4.6 Section 8, below, details the elements that make up the current General Fund uncommitted reserve and the levels of risk attached to each of these elements. These are indicative and may not be exhaustive as new risks emerge.

#### **The General Fund - Earmarked Reserves**

- 4.7 Unlike the General Fund uncommitted balance, earmarked reserves have been identified for specific areas of expenditure where there are anticipated costs that can only be estimated. It is therefore prudent for the authority to identify such areas of expenditure and set aside amounts that limit future risk exposure.
- 4.8 Such expenditure usually arises out of specific projects and work that continues over a period of more than one year, where identifiable risks exist, where an specific Council policy exists (such as the Devolved Education Management scheme) or where accounting treatment dictates that sums must be treated as such (for example unspent grants and contributions that have no repayment conditions).
- 4.9 The annual budget report provides a summary of the earmarked reserves and the anticipated year-end balance.
- 4.10 Expenditure relating to earmarked reserves must specifically relate to the purpose of the reserve, and new earmarked reserves can be created, normally occurring at the end of the year as part of the year-end review processes or during the annual budget setting process.

#### **The Housing Revenue Account**

- 4.11 The Council, as a social landlord, has a statutory duty to account for local authority housing provision as defined by the Housing (Scotland) Act 1987.
- 4.12 The uncommitted balance held on the HRA is necessary for the purpose of managing the changing needs of the tenants and the housing stock that they live in. The value of balances is included in to the 30 year financial modelling and enables the Council to plan and address peaks in lifecycle and maintenance costs of the housing stock.
- 4.13 Housing rent pays for the upkeep of the properties and therefore it is vital that there is sufficient funding in place to support the investment required, the HRA cannot be subsidised by the General Fund.

#### **The Housing Revenue Account – Earmarked Reserves**

- 4.14 Like the General Fund, it is common for specific activities to impose a financial commitment on the HRA. For this reason, the Council earmarks sums from within the HRA balances. These are often repairs based, where work has been ordered but not yet started. This ensures that the HRA meets the obligations.
- 4.15 Expenditure relating to earmarked reserves must specifically relate to the purpose of the reserve, and new earmarked reserves can be created, normally occurring at the end of the year as part of the year-end review processes or during the annual budget setting process.
- 4.16 [Financial Regulations](#) must be read in conjunction with this policy.

## 5. Policy Statement

- 5.1 This policy imposes on the Council the parameters in which reserves are to be managed, creating an understanding of the obligations that it has a duty to meet, and ensuring that the organisation is aware of and prepared for financial uncertainty that exists in operating a large complex Council.

## 6. Definitions

- 6.1 When reviewing the medium-term financial plans and preparing the annual budgets authorities should consider the establishment and maintenance of reserves. These can be held for four main purposes:
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves.
  - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves.
  - A means of building up funds often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the general reserve.
  - The economic climate and the safety of the Council's financial assets. This would link closely with the Council Treasury Management and Prudential Code Strategies.
- 6.2 Authorities also hold other reserves that arise out of the interaction of legislation and proper accounting practice. These reserves, which are not resource-backed and cannot be used for any other purpose, are listed below:
- The Pensions Reserve
  - The Revaluation Reserve
  - The Capital Adjustment Account
  - The Available-for-Sale Financial Instruments Reserve
  - The Financial Instruments Adjustment Reserve
  - Accumulated Absences Adjustment Account
- 6.3 Other such reserves may be created in future where developments in local authority accounting result in timing differences between the recognition of income and expenditure under proper accounting practice and under statute or regulation, such as the Capital Grants Unapplied Account.
- 6.4 In addition, authorities may hold a Capital Fund. This reserve holds the proceeds from the sale of assets and can only be used for capital purposes in accordance with the regulations. The Council maintains a Capital Fund.
- 6.5 For each earmarked reserve held by the authority there should be a clear protocol setting out:
- The reason for/purpose of the reserve
  - How and when the reserve can be used
  - Procedures for the reserve's management and control
  - A process and timescale for review of the reserve to ensure continuing relevance and adequacy
- 6.6 When establishing reserves, authorities need to ensure that they are complying with the Code of Practice on Local Authority Accounting and the need to distinguish between reserves and provisions.

## 7. Risk

- 7.1 Fundamentally this policy is designed to mitigate financial risk and the risk that the Council will have insufficient funds to meet expenditure that might arise.
- 7.2 Any Council recommendations that change the planned use of reserves reported within the Annual Budget will take account of the need for service delivery balanced against the need to retain prudent levels of reserves.
- 7.3 The significant risks that have been considered, but which will also be kept under review are:
- The anticipation of considerable cost pressures, pay and prices, demand and need, as well as changes resulting from national policy, such as Welfare Reform, or a lower level of priority than other public services, all of which may have a significant impact on the need for use of reserves.
  - The potential impact of further changes to funding and financial resource availability from the current financial climate.
  - The instability of the Financial Markets means that the investments we make with balances are currently exposed to greater risk.
  - The challenges of the current 5-Year financial model and the extent to which the redesign of services will have the desired impact on delivering a balanced and sustainable revenue budget position.
- 7.4 The level of Reserves is kept under review. The Council receives reports on the levels of reserves as part of the annual budget setting process, the preparation of the annual accounts and at other times should circumstances require it.
- 7.5 The Council must balance the retention of reserves and absolute need for these with the retention of too high a value, potentially depriving services or available funding. This is considered as part of the annual budget setting process.
- 7.6 The policy also mitigates compliance and reputational risks, in relation to the legal requirement to meet obligations to calculating and setting council tax, to establish and maintain specific reserves. Failure to do so will draw attention from auditors, stakeholders and other scrutiny bodies.
- 7.7 The policy ensures that operational risk, in the event of extreme unplanned circumstances can be maintained to deliver vital services to the citizens of Aberdeen.

## 8. Policy Performance

- 8.1 The policy performance is determined by the Council's retention, accumulation and use of reserves. The Council holds reserves for both specific purposes and as a means of mitigating financial risk, particularly that which is unknown.
- 8.2 The financial risk matrix shown below provides the basis for measuring the Council performance on the management of uncommitted reserves in the General Fund. The range and recommended values provide the Council with a reference point when setting the budget for the year ahead.

Risk	Impact	Probability	Min	Max	Recom-
			£m	£m	mended £m
Major incident(s),	Potential unplanned expenditure in	Single incident amounting to less than 1% of net budget – MEDIUM	6.0	9.0	6.0

Unbudgeted expenditure	support of specific circumstances	Multiple incidents amount to over 1% of net budget – VERY LOW			
Major disaster (e.g. natural)	Service delivery affected and resources diverted (e.g. through buildings being inaccessible and disaster recovery plan being actioned)	Based on historic experience & Bellwin Scheme, the Council must meet 0.2% of net expenditure before application – VERY LOW	1.0	4.0	1.0
Counterparty failure	If invested balances were tied up in a process to recover them there would be an immediate impact on the revenue budget as funds at additional cost were obtained.	Based on treasury policy and practices – VERY LOW	1.0	5.0	1.0
General financial climate	Wider knock-on effects of financial market changes, recession and / or lower growth and the consequential impact on UK and Scottish budgets.	Single year settlement, UK Budget not being set until 11 March 2020, uncertain future impact of devolved tax powers on Scottish Budget, unprotected nature of local government sector - MEDIUM	5.0	10.0	5.0
<b>TOTAL</b>			<b>12.0</b>	<b>28.0</b>	<b>12.0</b>

8.3 Reserves are monitored and reported as part of the quarterly financial performance reporting and included in both the budget setting reporting and annual accounts.

## 9. Design and Delivery

9.1 This policy is aligned to the Target Operating Model (TOM) and strategic objectives contained within the LOIP in the following ways:

- It supports the development and maintenance of a scheme of financial delegation, which is consistent with the commissioning model and increased community empowerment.
- It provides oversight of the stewardship of the council to ensure that the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes, cash flows borrowings and investments and financial systems.



- It supports the Chief Officer – Finance in their role, responsible for the financial governance and scrutiny in the organisation

## 10. Housekeeping and Maintenance

- 10.1 This policy will be reviewed annually.
- 10.2 During the year changes may occur in the 5-Year financial model, which affect this policy. Such changes will be monitored by the Chief Officer - Finance and reported to the Council.
- 10.3 The Council's financial systems hold details of the reserves and transactions will be applied with having due consideration of this policy.

## 11. Communication and Distribution

- 11.1 This policy is approved annually as part of the budget setting process and is circulated widely to finance staff and service staff through budget holder meetings and distribution of budget packs to budget holders.

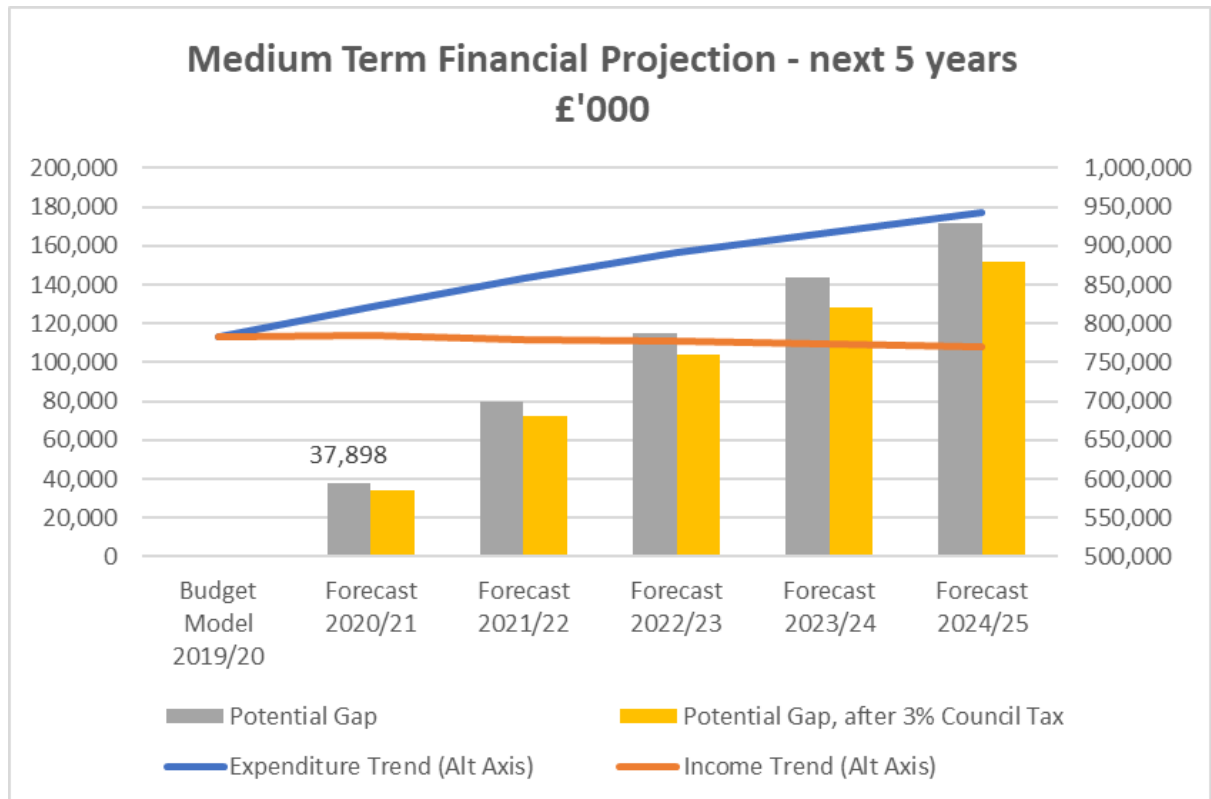
## 12. Information Management

- 12.1 The information generated by the application of the policy will be managed in accordance with the Council's Corporate Information Policy and supporting Procedures.

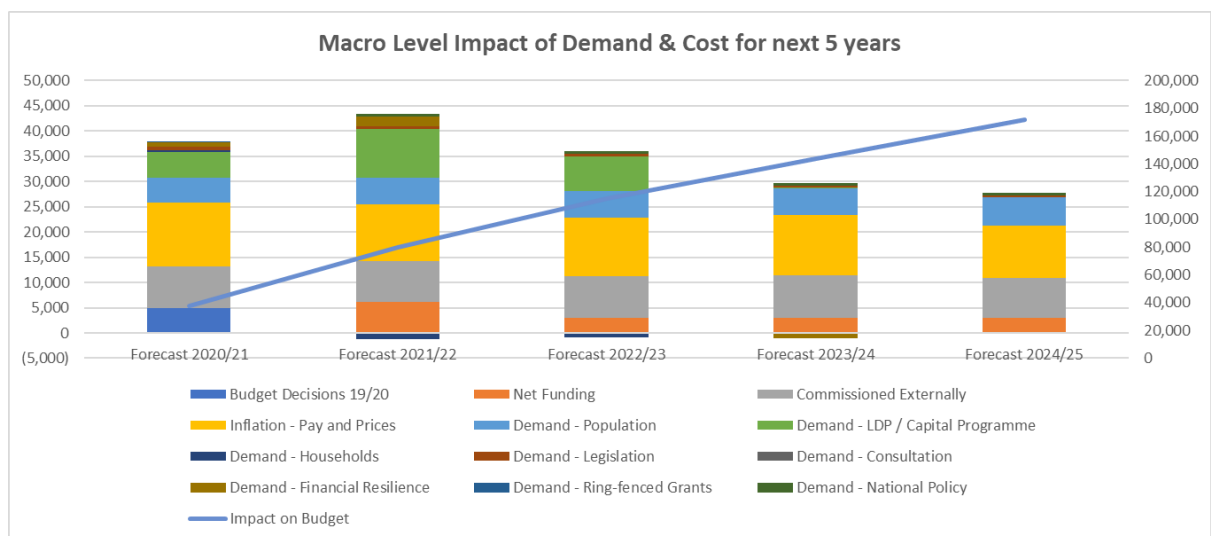
**Service Redesign:**

**Building the Budgets and Implications for 2020/21**

The commissioning led approach to redesigning our services resulted in a financial model that anticipates a need to offset rising demand and costs within an income level that is predominantly constant. This is demonstrated by the following graphs:



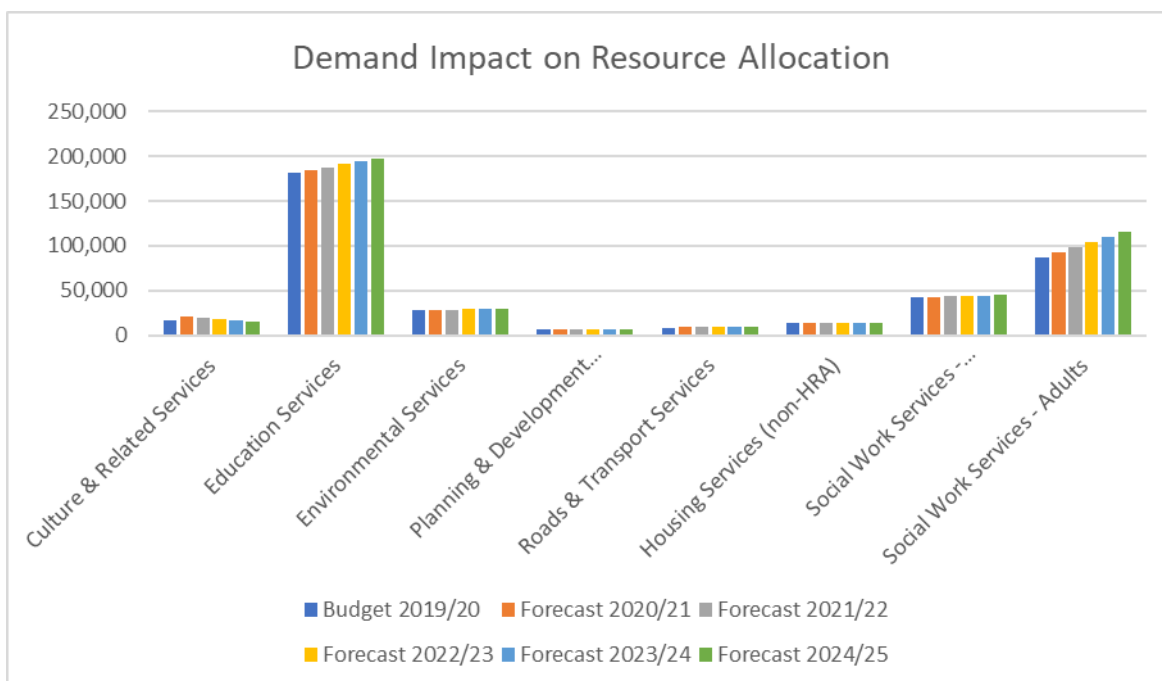
The financial model for 2020/21, including the focus on demand can be expressed as shown in the following graph.



The solution to where that balance should be achieved has been based on the work undertaken to refine our approach to resource allocation. The graph below shows the impact that demand has been identified to have on the resource requirements

in core service areas of the Council. This indicates the level of pressure and demand that exists around Children Services and Social Work Services, particularly adult services.

Additional resource, and potentially a lower reduction of resources might be appropriate to address part of this underlying demand, but service redesign too must play its part in identifying what is most important and to prioritise that.



The redesign of services has focussed on core elements of the budget, namely Staff, Assets, Spend and Income, the total of which must be met by Scottish Government Grant (including Non-Domestic Rates) and Council Tax income.

#### Building the Budget:

Chief Officers together have been asked to shape their future budgets based on the various factors that have been identified as part of the commissioning approach and to build up the components of their budget. This is expected to address identified demand and to be constrained by the overall financial resources available. Targets were set for each area of the business, taking account of aspects described in the report, specifically material fixed costs and statutory costs.

Ready reckoners have been used to build the financial impact of service redesign and these have been costed using a template that takes account of 2020/21 cost base, for example the pay award at a service level, rather than this being provided for at a corporate level.

The purpose of this is to enable Chief Officers to construct a budget that meets their service redesign objectives, while fulfilling the overall objective of balancing the budget. This helps to empower Chief Officers and supports accountability and responsibility, rather than having adjustments made from the 'corporate centre'.

A summary of how the budget has been targeted, is shown in the following table.

Indicative Budget 2020/21, Targets after savings applied	Staff	Assets	Spend	Capital Financing	Total Cost	Income	Targeted increase in Fees & Charges	Indicative Net Budget 2020/21	Change from 2020/21 Model	Change from 2020/21 Model
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Commissioning	4,691	620	5,853	0	11,164	(2,337)	(13)	8,814	(1,449)	-14%
Corporate	3,812	1,234	35,244	46,622	86,913	(23,792)	0	63,120	(977)	-2%
Customer	28,559	4,228	66,935	0	99,722	(65,737)	(99)	33,887	(4,814)	-12%
Governance	3,915	2	754	0	4,671	(2,058)	(14)	2,600	(361)	-12%
IJB	17,810	370	119,749	0	137,929	(48,962)	(154)	88,813	(6,871)	-7%
Operations - ICS	153,477	29,757	44,109	0	227,343	(29,002)	(280)	198,061	(13,706)	-6%
Operations - OPS	56,699	8,125	40,967	0	105,790	(63,642)	0	42,148	(5,782)	-12%
Resources	14,128	6,095	71,157	0	91,379	(89,395)	(166)	1,818	(1,763)	-49%
Place	11,490	979	7,456	0	19,926	(7,333)	(60)	12,533	(2,176)	-15%
	<b>294,581</b>	<b>51,410</b>	<b>392,225</b>	<b>46,622</b>	<b>784,838</b>	<b>(332,259)</b>	<b>(785)</b>	<b>451,795</b>	<b>(37,898)</b>	<b>-8%</b>

Based on the service redesign work undertaken for 2020/21, indicative budget values are shown in the next table:

Proposed Budget 2020/21	Staff	Assets	Spend	Capital Financing	Total Cost	Income	Indicative Net Budget 2020/21	Change from 2020/21 Targets	Change from 2020/21 Targets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Commissioning	4,769	660	7,958	0	13,387	(2,031)	11,356	2,542	7%
Corporate	(11,108)	971	9,331	46,619	45,813	(413)	45,400	(17,720)	-703%
Customer	29,440	4,571	68,701	0	102,712	(66,880)	35,832	1,945	2%
Governance	4,090	39	745	0	4,874	(1,988)	2,886	286	0%
IJB	18,459	410	122,207	0	141,076	(52,015)	89,061	248	1%
Operations - ICS	158,597	31,332	58,802	0	248,731	(34,078)	214,653	16,592	879%
Operations - OPS	58,968	8,325	48,527	0	115,820	(73,300)	42,520	372	3%
Resources	15,726	12,579	126,069	0	154,374	(154,612)	(238)	(2,056)	0%
Place	13,104	1,000	7,531	0	21,635	(7,636)	13,999	1,466	-40%
<b>Expenditure</b>	<b>292,045</b>	<b>59,887</b>	<b>449,871</b>	<b>46,619</b>	<b>848,422</b>	<b>(392,953)</b>	<b>455,469</b>	<b>3,675</b>	<b>1%</b>
<b>Financed by:</b>									
Non-Domestic Rates							(245,563)	20,495	
General Revenue Grant							(82,735)	(20,495)	
Council Tax							(127,171)	(3,675)	
<b>Taxation/Non Specific Grant Funding</b>							<b>(455,469)</b>	<b>(3,675)</b>	
<b>Net Expenditure</b>							<b>0</b>	<b>0</b>	

Note: values shown are subject to change pending the budget decision. A few corporate adjustments have been held until the final budget position is reached and these will address the variations shown above, in the 'Corporate' and 'Operations – ICS' rows.

Redesign of our services has an impact on the way in which our services will be delivered, taking account of the planned reduction in the total workforce, implementation of the digital programme and focus switching to prioritising our outcomes and legal obligations.

The implications of the redesigned services, which tackle demand and move the Council towards allocating resources for prevention and early intervention, to consider the financial sustainability of services and to recognise areas where the Council should decommission (stop), are wide ranging.

Our corporate service design approach has included consideration of the following potential elements to ensure consistency and a comprehensive approach to building our services:

- **Staff:** recognising current and reducing staffing levels, identifying the opportunities within the Target Operating Model to consolidate, amalgamate

or shift service areas to better meet the needs of our customers and enable the delivery of our outcomes.

- **Assets:** review the use of operational buildings, the need and suitability of the properties to deliver the services needed, consider the flexibility and alternative options for how we work taking advantage of digital transformation, mobile and alternative locations.
- **Spend:** review the contract registers, consider duplication of commissioned services, review frameworks that could be used to replace existing contracts or to bring contract spend onto a framework agreement.
- **Fees and Charges:** understand the Service Income Policy and the relationship that the service has with charging, local discretion, national pricing, partial recovery and full cost recovery; consider the sustainability of services that can be charged for and think about the commercial opportunities to raise additional income that covers more than cost. The sustainability of charging to other Council accounts needs to be reviewed.
- **Ring-Fenced Grants:** this funding is not guaranteed, and costs must be contained within funding made available, a review of the recurring nature of this funding should be considered and the implications if it were to stop.

In addition, Service Design has also addressed the following more service specific aspects:

#### **Integrated Children Services - Summary of Service Design**

1. Develop a campus-based model to support the delivering of fully integrated services (beyond IC&FS) in geographical areas to co-locate across partners including health, Sport Aberdeen and services such as financial inclusion services and adult learning.
2. Build a stronger and future proofed universal provision that supports early intervention including the re-design of Additional Support Need services to prevent an escalation of needs at a targeted and intensive support level.
3. Redesign early years services to offer primary prevention and early intervention.
4. Redesign the Senior Phase including the utilisation of flexible learning opportunities across senior phase and wider.
5. Redesign and future-proof children's social work to manage demand and provide for early intervention.
6. Improve the quality of targeted and intensive support services that protects and enables young people to be supported to remain within their school; family and community.
7. Develop a partnership commissioning approach which supports delivery of integrated services across key life stages.
8. Focus on statutory services and review non statutory provision.

#### **Operations and Protective Services - Summary of Service Design**

1. Consolidate roads service activities, currently delivered across several Council clusters, to improve resilience and efficiency.
2. Redesign and combined inspection processes through digitisation of business processes and customer channels.
3. Review and redesign service provision provided by facilities management.
4. Consolidate capacity within roads and building services depots.
5. Combine roads and building services stores.
6. Introduce intelligent street lighting and traffic management systems.
7. Amend grounds maintenance service levels.

8. Review and redesign the provision of public toilets, including options such as charging.
9. Implement additional campaigns to increase recycling from communal properties.
10. Review and redesign the provision of Household Waste and Recycling Centres.
11. Prioritise the provision of school crossing patrollers.
12. Review school meal provision.
13. Review Town House restaurant and Marischal College cafeteria.
14. Review the provision of assets including pedestrian crossings, junctions and public litter / dog bins.
15. Amend the maintenance programme relating to paths and street furniture.
16. Consider increases in all fees and charges which are not set nationally.
17. Consider introducing new charges relating to staff/members parking.
18. Explore recycling processing from third parties and environmental health food services.

### **Commissioning – Summary of Service Design**

1. Consolidate, rationalise and standardise contracts relating to third party spend to delivery further efficiency savings
2. Review ALEOs efficiency proposals relating to service redesign including potential rationalisation, shared service arrangements and income generation.
3. Consolidate the responsibility and accountability for Council data which includes governance, architecture, analytics, reporting and insight.
4. Combine the use of technology and skills to automate standard reporting to allow real time consumption, self-serve of data, machine learning and dataflow to allow automation of processing.
5. Focus on collaborative planning and governance to reduce scattered demand.
6. Develop multi-agency working to enable data driven decision making.

### **Customer - Summary of Service Design**

1. Further alignment of customer and transactional activity from across the organisation & further consolidation of like work and activities, as outlined within the TOM
2. Opportunities for maximising income generation
3. Digital Modernisation
  - a. Consolidation of systems and IT support teams
  - b. Efficiencies being forecasted through digitalisation and further automation leveraging our new technologies such as Robotic Process Automation (RPA)
  - c. Hardware and Systems rationalisation
4. External Communications & Marketing Approach
  - a. Explore a new approach to social marketing and nudge techniques to support behaviour change to reduce avoidable demand.
5. Cash Handling approach to improve income collection and reduce cash handling risks and costs
6. Income Collection design to consider corporate approach to all types of income.
7. Reduce the level of private sector leased properties ensuring that council owned homes are prioritised through the reduction in voids
8. Review provision of library service across city by analysing demand data regarding footfall, facilities and opening hours.

### **Resources – Summary of Service Redesign**

1. Strong emphasis on the operational structures in which we work with the consolidation, alignment and prioritisation of activities, such as Repair and Maintenance; Estates and Investment Properties; Capital projects.
2. Prioritisation of employee health, wellbeing and absence.
3. Protection for the Corporate Training Budget to support mandatory training and development, and support retraining of staff into critical roles.
4. Provision of advice and guidance to support delivery of the transformation agenda, while delivering statutory services.

### **Place – Summary of Service Design**

1. With a high degree of discretion, focus has been on delivery of statutory transport services.
2. Priority given to focusing attention on attracting people and investors to Aberdeen.
3. Maximise income generation opportunities from new assets, e.g. Aberdeen Art Gallery.
4. Aligning to external 'city growth delivery', the redesign recommends a 'City Leadership Board', comprised of Elected Members and Senior Executives in partner organisations locally and nationally to oversee strategic economic development of the city.

### **Governance - Summary of Service Design**

1. Consolidation of governance activities to provide additional resilience in the provision of support to political and executive decision-making structures.

## APPENDIX 7

### Revenue savings options included in Service Redesign 2020/21

Function	Cluster	Option Reference	Activity	Action	Financial Impact 2020/21 £'000	Within Delegated Authority or Council Decision Required
Operations	Integrated Children's & Family Services	ICFS01	Early Years	Early Years - remove non statutory creche provision	1,500	Council Decision
Operations	Integrated Children's & Family Services	ICFS02	Early Years	Income generation - sell additional available hours of Early Learning and Childcare to families	300	Council Decision
Operations	Integrated Children's & Family Services	ICFS03	Early Years	Re-design Early Learning and Childcare staffing structure to include support roles	1,500	Within Delegated Authority
Operations	Integrated Children's & Family Services	ICFS04	Early Years	Commission a funded provider to run stand-alone Early Learning and Childcare provisions	500	Council Decision
Operations	Integrated Children's & Family Services	ICFS05	Early Years	Remove stand-alone Me2 provision	312	Council Decision
Operations	Integrated Children's & Family Services	ICFS06	Early Years	Align education and Children's Social Work early years services	500	Within Delegated Authority
Operations	Integrated Children's & Family Services	ICFS07	Children's Social Work and education	Shared commissioning of services across Integrated Children's and Family Service	150	Council Decision
Operations	Integrated Children's & Family Services	ICFS09	Early Years	Early Learning and Childcare Training posts	160	Within Delegated Authority
Operations	Integrated Children's & Family Services	ICFS11	Education	Devolved School Management including devolving some central resource to schools	875	Council Decision
Operations	Integrated Children's & Family Services	ICFS14	Education	Rationalise the Children's Social Work estate by two buildings	0	Within Delegated Authority
Operations	Integrated Children's & Family Services	ICFS15	Education	Remove Music Service	733	Council Decision
Operations	Integrated Children's & Family Services	ICFS16	Education	Redesign of Additional Support Needs services	200	Council Decision
Operations	Integrated Children's & Family Services	ICFS17	Children's Social Work and education	Reduce spend on out of authority placements	1,000	Within Delegated Authority
Operations	Integrated Children's & Family Services	ICFS19	Children's Social Work and education	Integrate looked after children and mental health services across Integrated Children's and Family Service (including reducing the number of buildings and management)	200	Within Delegated Authority
Operations	Integrated Children's & Family Services	ICFS20	Children's Social Work	Service re-design across Children's Social Work	600	Within Delegated Authority
Operations	Integrated Children's & Family Services	ICFS23	Children's Social Work	Shared commissioning across Social Work	195	Council Decision
<b>Operations</b>	<b>Integrated Children's &amp; Family Services</b>			<b>Total</b>	<b>8,725</b>	
Operations	Operations and Protective Services	OPPS01/02/03/04	Protective Services	Staff structure redesign	329	Within Delegated Authority
Operations	Operations and Protective Services	OPPS05	Protective Services	Cease parking permits for senior officers in Protective Services	17	Within Delegated Authority
Operations	Operations and Protective Services	OPPS06	Protective Services	Increase in fees for Theatre and Cinema Licences to cover the cost of inspections	8	Council Decision
Operations	Operations and Protective Services	OPPS07	Protective Services	Increase the fees for Public Entertainment Licences applications to cover the cost of inspections	7	Council Decision
Operations	Operations and Protective Services	OPPS08	Protective Services	Increase fees for Animal Health and Welfare Licences	1	Council Decision
Operations	Operations and Protective Services	OPPS09	Protective Services	Increase fees for Business advice provided by Environmental Health	1	Council Decision
Operations	Operations and Protective Services	OPPS10	Protective Services	New charge for Food Hygiene Information Scheme premises revisits	4	Council Decision
Operations	Operations and Protective Services	OPPS11	Protective Services	Increase commercial team fees and charges by 20% (exception - Export Health Certificates and Ship Sanitation Certificates)	4	Council Decision
Operations	Operations and Protective Services	OPPS12	Protective Services	Increase ASSL (Labs) charges by 3% (inflation)	33	Council Decision
Operations	Operations and Protective Services	OPPS13	Protective Services	Increase Environmental Protection charges by 3% (inflation)	8	Council Decision
Operations	Operations and Protective Services	OPPS14	Protective Services	Increase Fees for Ship Sanitation Certification	18	Council Decision
Operations	Operations and Protective Services	OPPS15	Protective Services	Reprofile current Laboratory income	25	Within Delegated Authority
Operations	Operations and Protective Services	OPPS16	Protective Services	Laboratory - regrade current post in service redesign (Vacant)	10	Within Delegated Authority
Operations	Operations and Protective Services	OPPS17	Protective Services	Laboratory - sub- contracting low value work	16	Within Delegated Authority



Function	Cluster	Option Reference	Activity	Action	Financial Impact 2020/21 £'000	Within Delegated Authority or Council Decision Required
Operations	Operations and Protective Services	OPPS18	Protective Services	Evidence store - alternative provision	19	Within Delegated Authority
Operations	Operations and Protective Services	OPPS19	Protective Services	Ceasing overtime within Operations	53	Within Delegated Authority
Operations	Operations and Protective Services	OPPS20	Protective Services	Applicant charging on pre-planning (new charge)	2	Council Decision
Operations	Operations and Protective Services	OPPS21	Protective Services	New charge - charge for assessing noise management plans for Public Entertainment Licensing	3	Council Decision
<b>Operations</b>	<b>Operations and Protective Services</b>		<b>Protective Services</b>	<b>Total</b>	<b>558</b>	
Operations	Operations and Protective Services	OPES01	Environmental Services	Increase fees and charges - Allotments by 3%	1	Council Decision
Operations	Operations and Protective Services	OPES02	Environmental Services	Design and Development Team - Play Areas recharge to HRA and capital	50	Council Decision
Operations	Operations and Protective Services	OPES03	Environmental Services	Design and Development Team - recharge time to capital project	5	Council Decision
Operations	Operations and Protective Services	OPES04	Environmental Services	Cost Recovery for Play Area Inspections Team from Housing Revenue Account	2	Council Decision
Operations	Operations and Protective Services	OPES05	Environmental Services	Grounds maintenance / grass cutting - schedules	100	Council Decision
Operations	Operations and Protective Services	OPES06	Environmental Services	Grounds maintenance / grass cutting - schools	35	Council Decision
Operations	Operations and Protective Services	OPES07	Environmental Services	Grounds maintenance / grass cutting - rural road verges	22	Council Decision
Operations	Operations and Protective Services	OPES08	Environmental Services	Grounds maintenance / grass cutting - shrubs	75	Council Decision
Operations	Operations and Protective Services	OPES09	Environmental Services	Grounds maintenance / grass cutting - weed spraying	35	Council Decision
Operations	Operations and Protective Services	OPES10	Environmental Services	Environment fees and charges	105	Council Decision
Operations	Operations and Protective Services	OPES11	Environmental Services	Grounds maintenance / grass cutting - cemeteries	100	Council Decision
Operations	Operations and Protective Services	OPES12	Environmental Services	Street sweeping (litter bins)	60	Council Decision
Operations	Operations and Protective Services	OPES13	Environmental Services	Closure of public toilets	280	Council Decision
Operations	Operations and Protective Services	OPES14	Environmental Services	Bereavement Services fees and charges	63	Council Decision
Operations	Operations and Protective Services	OPES15	Environmental Services	Crematorium staffing structure redesign	9	Within Delegated Authority
Operations	Operations and Protective Services	OPES16	Environmental Services	Parks - reduced spend on assets	40	Council Decision
<b>Operations</b>	<b>Operations and Protective Services</b>		<b>Environmental Services</b>	<b>Total</b>	<b>982</b>	
Operations	Operations and Protective Services	OPRS01	Roads Services	Residential parking permits - 1st permit	1,310	Council Decision
Operations	Operations and Protective Services	OPRS02	Roads Services	Residential parking permits - 2nd permit (except inner city where only one permit is permitted)	675	Council Decision
Operations	Operations and Protective Services	OPRS03	Roads Services	Business parking permits	48	Council Decision
Operations	Operations and Protective Services	OPRS04	Roads Services	Contractor parking permits	8	Council Decision
Operations	Operations and Protective Services	OPRS05	Roads Services	Off street parking charges - Short Stay	170	Council Decision
Operations	Operations and Protective Services	OPRS06	Roads Services	Off street parking charges - Long Stay	170	Council Decision
Operations	Operations and Protective Services	OPRS07	Roads Services	On street parking charge - across all zones	200	Council Decision
Operations	Operations and Protective Services	OPRS08	Roads Services	Reduce traffic signal and pedestrian crossing equipment	20	Council Decision
Operations	Operations and Protective Services	OPRS09	Roads Services	Traffic below ground detection at traffic lights	10	Within Delegated Authority
Operations	Operations and Protective Services	OPRS10	Roads Services	Car park guidance system /signs	8	Council Decision
Operations	Operations and Protective Services	OPRS11	Roads Services	Street lighting - reduce luminance levels	15	Council Decision
Operations	Operations and Protective Services	OPRS12	Roads Services	Roads depot removal	16	Council Decision

Function	Cluster	Option Reference	Activity	Action	Financial Impact 2020/21 £'000	Within Delegated Authority or Council Decision Required
Operations	Operations and Protective Services	OPRS13	Roads Services	Street works charges	19	Council Decision
Operations	Operations and Protective Services	OPRS14/15/16/17	Roads Services	Staffing structure redesign	241	Within Delegated Authority
<b>Operations</b>	<b>Operations and Protective Services</b>		<b>Roads Services</b>	<b>Total</b>	<b>2,910</b>	
Operations	Operations and Protective Services	OPWS01	Waste Services	Materials Recycling Facility - income from 3rd parties	75	Within Delegated Authority
Operations	Operations and Protective Services	OPWS02	Waste Services	Increase recycling rates from communal recycling	90	Council Decision
Operations	Operations and Protective Services	OPWS03	Waste Services	Close Dyce Household Waste and Recycling Centres	80	Council Decision
Operations	Operations and Protective Services	OPWS04	Waste Services	Fees and Charges - Trade Waste Service	25	Within Delegated Authority
Operations	Operations and Protective Services	OPWS05	Waste Services	Fees and Charges - Garden Waste Service	175	Council Decision
Operations	Operations and Protective Services	OPWS06	Waste Services	Fees and Charges to Housing Revenue Account - charge for bin room Clearances	23	Council Decision
Operations	Operations and Protective Services	OPWS07	Waste Services	Fees and Charges - Special Uplifts Service	10	Council Decision
Operations	Operations and Protective Services	OPWS08	Waste Services	Internal waste	15	Council Decision
<b>Operations</b>	<b>Operations and Protective Services</b>		<b>Waste Services</b>	<b>Total</b>	<b>493</b>	
Operations	Operations and Protective Services	OPFM01	Facilities	Closure of Marischal College cafeteria and Town House restaurant	100	Council Decision
Operations	Operations and Protective Services	OPFM02	Facilities	Catering (Schools) cease free breakfast services	90	Council Decision
Operations	Operations and Protective Services	OPFM03	Facilities	Catering (Schools) cease free fruit	35	Council Decision
Operations	Operations and Protective Services	OPFM04	Facilities	Catering (Schools) cease free bread	80	Council Decision
Operations	Operations and Protective Services	OPFM05	Facilities	Catering (Schools) cease provision of milk	70	Council Decision
Operations	Operations and Protective Services	OPFM06	Facilities	Fees and Charges - Catering (Schools) meal price primary	175	Council Decision
Operations	Operations and Protective Services	OPFM07	Facilities	Fees and Charges - Catering (Schools) School meal price secondary	125	Council Decision
Operations	Operations and Protective Services	OPFM08	Facilities	Remove Catering (Schools) quality assurance accreditation	20	Council Decision
Operations	Operations and Protective Services	OPFM09/10/11/12/13/14	Facilities	Reduction in janitorial, grounds and cleaning provision	294	Council Decision
Operations	Operations and Protective Services	OPFM15	Facilities	Janitorial - Cease provision of all School Crossing Patrol	325	Council Decision
Operations	Operations and Protective Services	OPFM16	Facilities	Staff / Elected Member parking charges	39	Council Decision
<b>Operations</b>	<b>Operations and Protective Services</b>		<b>Facilities</b>	<b>Total</b>	<b>1,353</b>	

Function	Cluster	Option Reference	Activity	Action	Financial Impact 2020/21 £'000	Within Delegated Authority or Council Decision Required
Commissioning	Commercial & Procurement Services	COMM01	ALEOs	10 % ALEO budget savings and efficiency proposals	675	Council Decision
Commissioning	Commercial & Procurement Services	COMM02	Third party spend	10 % third party spend budget savings and efficiency proposals	800	Council Decision
<b>Commissioning</b>	<b>Commercial &amp; Procurement Services</b>			<b>Total</b>	<b>1,475</b>	
Customer	Customer Experience	CUST01	Cluster Delivery Model (including staffing / structural changes)	Further alignment of customer and transactional activity from across the organisation and integration of like activity across the cluster, as outlined within the TOM	1,007	Council Decision
Customer	Customer Experience	CUST02	Registrars	Amendments to existing fees and charges schedule	6	Council Decision
<b>Customer</b>	<b>Customer Experience</b>			<b>Total</b>	<b>1,013</b>	
Customer	Early Intervention & Community Empowerment	CUST03	Library & Information Services	Close 4 community libraries	195	Council decision
Customer	Early Intervention & Community Empowerment	CUST04	Library & Information Services	Staffing structure redesign	96	Within Delegated Authority
Customer	Early Intervention & Community Empowerment	CUST05	Library & Information Services	Relocate libraries to within other community buildings	40	Council Decision
Customer	Early Intervention & Community Empowerment	CUST06	Library & Information Services	Reduce spend on hardcopy resources such as books, newspapers etc	100	Within Delegated Authority
Customer	Early Intervention & Community Empowerment	CUST07	Creative Learning	Develop an alternative model for delivery of Arts Across Learning Festival - sponsor/grants/fees	18	Council Decision
Customer	Early Intervention & Community Empowerment	CUST08	Community Learning & Development	Staffing structure redesign	213	Within Delegated Authority
Customer	Early Intervention & Community Empowerment	CUST09	Libraries and CLD	General reduction in overall spend against budgets	100	Within Delegated Authority
Customer	Early Intervention & Community Empowerment	CUST10	Sistema	Big Noise Torry programme <b>NOTE : GROWTH</b>	-34	Council Decision
Customer	Early Intervention & Community Empowerment	CUST11	Antisocial Behaviour Investigation Team	Antisocial behaviour call out services	10	Within Delegated Authority
Customer	Early Intervention & Community Empowerment	CUST12	City Wardens	Efficient parking administration and enforcement	234	Council Decision
Customer	Early Intervention & Community Empowerment	CUST13	Housing Access and Support	Bed and breakfast reduction from 30 places to 6	39	Agreed by Operational Delivery Committee January 2019
Customer	Early Intervention & Community Empowerment	CUST14	Housing Access and Support	Stop the use of Private Sector Leasing from 150 units to 0	385	Agreed by Operational Delivery Committee January 2019
Customer	Early Intervention & Community Empowerment	CUST15	Housing Access and Support	St Fitticks Hostel closure	205	Council Decision
Customer	Early Intervention & Community Empowerment	CUST16	Housing Access and Support	Staffing structure redesign	882	Within Delegated Authority
Customer	Early Intervention & Community Empowerment	CUST17	Overall	Staffing structure redesign	1,043	Within Delegated Authority
<b>Customer</b>	<b>Early Intervention &amp; Community Empowerment</b>			<b>Total</b>	<b>3,526</b>	
Commissioning	Business Intelligence	CUST21	Staffing	Staffing structure redesign	144	Within Delegated Authority
<b>Commissioning</b>	<b>Business Intelligence</b>			<b>Total</b>	<b>144</b>	

Function	Cluster	Option Reference	Activity	Action	Financial Impact 2020/21 £'000	Within Delegated Authority or Council Decision Required
Resources	People & Organisational Development	RESR01	Staffing	Staff structure redesign	241	Within Delegated Authority
Resources	People & Organisational Development	RESR02	Income	Increase of income through employee benefits schemes	116	Within Delegated Authority
<b>Resources</b>	<b>People &amp; Organisational Development</b>			<b>Total</b>	<b>357</b>	
Resources	Finance	RESR03	Staffing	Staff structure redesign	336	Within Delegated Authority
<b>Resources</b>	<b>Finance</b>			<b>Total</b>	<b>336</b>	
Resources	Capital	RESR04	Staffing	Redesign of capital staffing	657	Within Delegated Authority
<b>Resources</b>	<b>Capital</b>			<b>Total</b>	<b>657</b>	
Resources	Corporate Landlord	RESR06	Spend	Building efficiencies	1,030	Council Decision
Resources	Corporate Landlord	RESR07	Income	Increase in property rental income	204	Within Delegated Authority
<b>Resources</b>	<b>Corporate Landlord</b>			<b>Total</b>	<b>1,234</b>	
Governance	Governance	GOVR01	Staffing	Staff structure redesign	359	Within Delegated Authority
Governance	Governance	GOVR03	Income	Recharge work of Civic Team to Common Good	50	Within Delegated Authority
Governance	Governance	GOVR04	Income	Recharge IJB for emergency planning support	10	Within Delegated Authority
Governance	Governance	GOVR05	Income	Recharge work of Corporate Investigation Team to Housing Revenue Account	65	Within Delegated Authority
Governance	Governance	GOVR06	Grant	Remove grant to Bulawayo Trust	25	Council Decision
<b>Governance</b>	<b>Governance</b>			<b>Total</b>	<b>509</b>	
Place	Strategic Place Planning	PLAC01	School Transport	Remove Non-statutory transport to schools - additional support needs, Lochside, Hazlehead and Music School	517	Council Decision
Place	Strategic Place Planning	PLAC02	Supported Bus Provision	Remove supported bus routes on routes 14, 15a, 40 & 94	214	Council Decision
Place	Strategic Place Planning	PLAC03	Other Public Transport	Cease bus infrastructure upgrades, including security, cleaning and maintenance of Park and Ride facilities	70	Council Decision
Place	Strategic Place Planning	PLAC04	Charging	Review and increase charges for copy documents and plans	30	Council Decision
Place	Strategic Place Planning	PLAC05	Staffing	Staff structure redesign	400	Within Delegated Authority
<b>Place</b>	<b>Strategic Place Planning</b>			<b>Total</b>	<b>1,231</b>	
Place	City Growth	PLAC06/11	Staffing	Staff structure redesign	513	Within Delegated Authority
Place	City Growth	PLAC07	Beach Ballroom and Townhouse services	Combined reducing costs and increasing income	100	Council Decision
Place	City Growth	PLAC08	Memberships	Cancellation of various memberships	34	Council Decision
Place	City Growth	PLAC09	Co op Development	Stopping Cooperative Development Fund	75	Council Decision
Place	City Growth	PLAC10	Feasibility	Project feasibility and development fund	50	Council Decision
Place	City Growth	PLAC12	Culture Grants & Donations	Stop Programme; 10% reduction in 3rd party grants; reduce events funding	272	Council Decision
Place	City Growth	PLAC13	International Travel	Focus on WECP commitments and MoUs tied to those cities	25	Council Decision

Function	Cluster	Option Reference	Activity	Action	Financial Impact 2020/21 £'000	Within Delegated Authority or Council Decision Required
Place	City Growth	PLAC14	EU (European Union) Travel	Stop EU travel	29	Council Decision
Place	City Growth	PLAC15	Aberdeen Harbour South Shuttle	Pilot a shuttle bus to Aberdeen Art Gallery and City Centre <b>NOTE : GROWTH</b>	-10	Council Decision
Place	City Growth	PLAC16	Commercialisation	Cost recovery towards North East of Scotland Performs	20	Council Decision
Place	City Growth	PLAC17	City Growth	Income towards staffing in Energy Transition	80	Within Delegated Authority
Place	City Growth	PLAC18	CRD (City Region Deal) Grant	Income to fund Digital Programme Lead	71	Within Delegated Authority
Place	City Growth	PLAC19	Tourism Marketing	Reduce Visit Aberdeenshire funding	60	Council Decision
<b>Place</b>	<b>City Growth</b>			<b>Total</b>	<b>1,319</b>	
Corporate	Finance	COPR01	Council Tax	3% increase in Council Tax	3,675	Council Decision
Corporate	Finance	CORP02	Contingency	Reduce in year contingency	960	Council Decision
<b>Corporate</b>				<b>Total</b>	<b>4,635</b>	
Integrated Joint Board		CORP03	Target	Flat cash target applied to ACC financial model; demand factors to be offset by efficiencies within IJB. Actual figures will be detailed to the IJB on 10 March 2020. Subject to funding increases included in the Local Government Financial Settlement for 2020/21 from Scottish Government	6,871	Council required to comply with Financial Settlement conditions, thereafter IJB decision on directing spend
<b>Integrated Joint Board</b>				<b>Total</b>	<b>6,871</b>	
<b>TOTAL</b>					<b>38,328</b>	