MEDIUM TERM FINANCIAL STRATEGY FOR THE COUNCIL'S GENERAL FUND

BON ACCORD
ABERDEEN
CITY COUNCIL

Contents Page

1. INTRODUCTION

1.1 The Medium Term Financial Strategy (MTFS) is a 6 year plan which sets out our commitment to provide services that meet the needs of people locally, and represents good value for money. The MTFS is aligned to the Council Delivery Plan, which in turn aligns the Council's commitments to the vision and priorities of the Local Outcome Improvement Plan.

1.2 The Local Outcome Improvement Plan's (LOIP) vision is:

'A place where all people can prosper'

1.3 The Council's programme of change is centred around three areas:

Our purpose (what our business is): To ensure the alignment of all Council strategies and plans to the Local Outcome Improvement Plan's (LOIP) vision 'A place where all people can prosper' as well as ensuring clear delivery plans for the Council's own set of strategies and priorities.

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

How we behave as an organisation: A focus on the Council's culture.

1.4 The key objectives of the MTFS are as follows:

- To ensure that effective financial planning and management contributes to the Council achieving the priorities in the Council Delivery Plan;
- To direct resources to the Council's priorities to support the achievement of the Council Delivery Plan;
- To maximise income to support the priorities of the council;
- To analyse budget performance to assess the effectiveness of resource allocation;
- To continue to improve value for money - managing our resources as efficiently as possible; streamlining processes and systems; getting better value from commissioning and procurement; whilst seeking to minimise the impact of budget savings on priority services; and
- To ensure the Council's financial standing is prudent, robust, stable and sustainable.

1.5 The merits of medium and long-term financial planning are well documented[1] and a key component of the council's strategic framework, building on the medium term focus that has underpinned annual budget setting. The aim of a medium term financial strategy (MTFS) is to pull together in one place all known factors affecting the financial position and financial sustainability of an organisation over the medium term.

[1] Example, CIPFAs Looking Forward – Medium Term Financial Strategies for the UK Public Sector, 2016

1.6 Supporting financial planning relies on national and local data, from which assumptions emerge, that can be applied to a range of scenarios. Due to the nature of a local authority, it is not in control of all the determinants of its income and cost base, and crucially this includes the financial support provided from public funds. Many statutory services are provided free at the point of delivery and therefore the shape of services is determined by how much subsidy (grant) is provided. Complexity multiplies as the statutory duties and commitments increase.

1.7 The ability of a local authority to develop medium and long-term financial planning is significantly influenced by the following factors:

- the current ratio between locally and nationally determined levels of taxation and fees and charges; and
- whether government provides certainty re levels of government grant beyond the immediate next financial year

1.8 Given events which have occurred in 2020 because of a global health pandemic, the task of medium and long-term financial planning has been made even more challenging. Governments across the world have invested significantly in financial rescue plans to mitigate the economic impact of the public health measures introduced to combat the virus. Whilst attention rightly remains on managing the response, attention is also on supporting economic recovery. Economic recovery will be vital if governments are to be able to repay the borrowing incurred to support the financial rescue plans currently in place.

1.9 Both the UK and Scottish Government will be required to make political choices in terms of future funding both in the short, medium and long term – all of which will have a bearing on the council's own short, medium and long term financial plans.

1.10 This medium term strategy sets out assumptions regarding the ongoing short term implications of Covid-19 in terms of financial year 2021/22 and then goes on to make some informed assumptions for financial years 2022/23 – 2026/27. It is important to note that Scottish Parliament Elections are still scheduled to take place in May 2021 and of course, it would be for any new government to determine its own priorities for the short, medium and long term. Therefore, it is recommended that this plan be revisited following the 2021 Scottish Parliamentary elections.

1.11 The Council should recognise that with so much of its income outside of its control, the assumptions that underpin the MTFS cannot, by definition, be exact, they are subject to refinement and change over time. Therefore, a series of scenarios should be used to describe a range of income possibilities. This current draft MTFS utilises 3 scenarios proposed by the Office for Budget Responsibility. These scenarios should be refreshed regularly as part of the budget setting and strategic planning processes.

1.12 The detail contained in this document leads to the conclusion that the following principles are needed to guide our approach to MTFS.

1.13 Principles the council should follow for planning its income are:

I. Be prudent about the level of Scottish Government funding that will be provided in the local government settlement both in short, medium and long term.

II. Be prudent in the financial assumption regarding the funding of national priorities and commitments.

III. Exercise the discretion it has over local taxation and increase the Band D charge for Council Tax annually to support future budgets.

IV. Account for any income source that is non-specific as a corporate resource to support the whole revenue budget.

V. Apply its Service Income Policy to support the effective and sustainable delivery of services where charges can be applied and exercise that discretion annually and collect as much income as is rightfully owed.

VI. Identify and evaluate emerging discretionary powers on a regular basis to determine their applicability to Aberdeen City.

VII. Recognise the ongoing financial risk to the council associated with Covid-19 until an agreed end point is reached for the global pandemic.

VIII. Apply its approved Reserves Policy, retaining recommended uncommitted General Fund Reserves and thereby avoiding one-off income streams.

1.14 Principles the council should follow for planning its expenditure are:

II. Scenarios must be developed and the Chief Officer – Finance will, in conjunction with the Extended Corporate Management Team (ECMT), establish appropriate financial assumptions to apply.

III. The council should continue to develop its approach to strategic resource allocation to further shape where and how resources are deployed. Through this approach we will attain greater understanding of how resources align to outcomes and the related impact and consequences of our decisions.

IV. Local constraints should be minimised wherever possible to provide as much flexibility to achieve resource shift and deliver savings.

V. Ensure an alignment between commissioning intentions, service standards and budget allocations thereby ensuring council focuses on the very highest of priorities and on the most important outcomes.

VI. Where funding levels cannot sustain existing commissioning intentions and service standards, a clear set of decommissioning intentions and service standard reductions will be submitted to council.

VII. The scale of service redesign will have to increase to address the emerging financial scenarios.

VIII. Achieving the scale of savings needed is not possible from small service budgets. There must be a contribution from the large services if financial sustainability is to be addressed.

IX. Slicing a proportion of the budget from all areas of the council is also counterproductive and does not address delivering outcomes. Salami slicing savings are to be avoided.

X. Capital investment revenue implications must be incorporated into scenario plans, both from ongoing operational delivery and capital financing perspectives.

1.15 Principles the council should follow for planning its capital investment are:

I. Revenue implications of capital investment opportunities must be identified and agreed with the Chief Officer – Finance to support the council's scenario planning.

II. Capital investment expenditure must be prudent, affordable and sustainable, as defined by the Prudential Code.

III. External funding opportunities should be identified and pursued to support approved capital investment.

IV. Priority must be given to the projects that will deliver the greatest return, and this can be measured both financially and socially. A business case must be used to document this analysis.

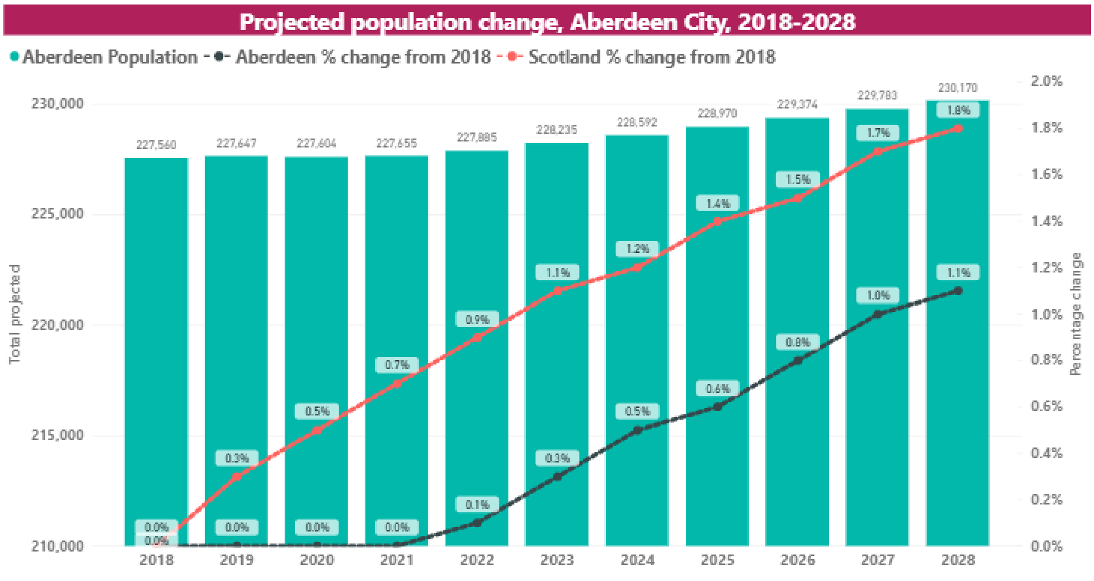
V. Care needs to be taken of the unknown aspects arising from the coronavirus pandemic and the potential additional costs that may emerge. The council should consider how it creates flexibility in the capital programme to increase contingencies.

VI. The financial, legal and reputation implications of proposing to withdraw from legally or partially committed capital projects within the capital programme must be fully considered and documented.

1.16 Aberdeen - Background and Context

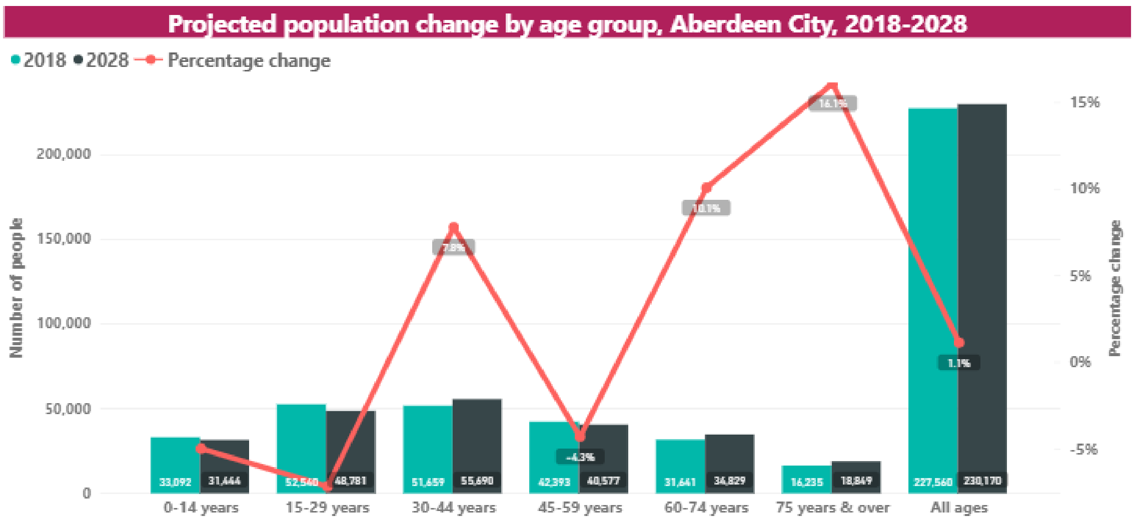
1.16.1 Some of the financial challenges affecting the financial sustainability of all local authorities is the pressure from demographic change and corresponding rising demand. The following section highlights some of the main sources of demand and projected future pressures.

1.16.2 Population - The estimated population of Aberdeen in 2019 was 228,670. Based on recent trends, the total population of the city is projected to increase by more than 11,000 (1.1%) by 2028. This projected increase is lower than the projection for Scotland as a whole, which is 1.8%. This projection is shown below.



Source: National Records of Scotland, Population Projections for Scottish Areas (2018-based). Updated March 2020.

1.16.3 The age structure of the City's population is projected to show a decline of 5% in those aged 0 -14 years and 7% of those aged 15 – 29 years over the next 10 years. Whilst increases of 10% and 16% respectively are projected for those aged 60 – 74 years and those aged 75+ years. This brings different challenges for the distribution of resources.

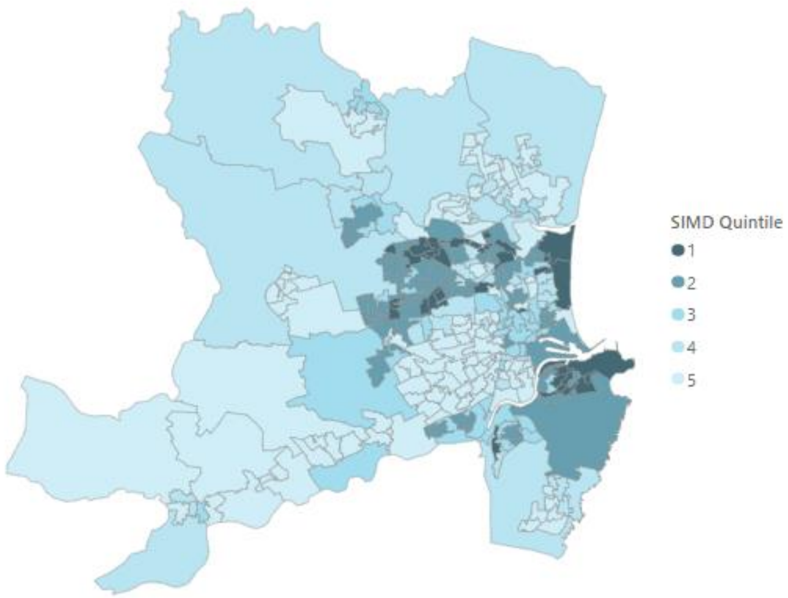


Source: National Records of Scotland, Population Projections for Scottish Areas (2018-based). Updated March 2020.

1.16.4 Housing - There is a considerable demand for housing in Aberdeen. Whilst house prices have fallen in recent years, they remain high. Supply of council and social new build properties has recently boosted supply. Recent years have also seen significant increases in supported accommodation both for older people and people with disabilities.

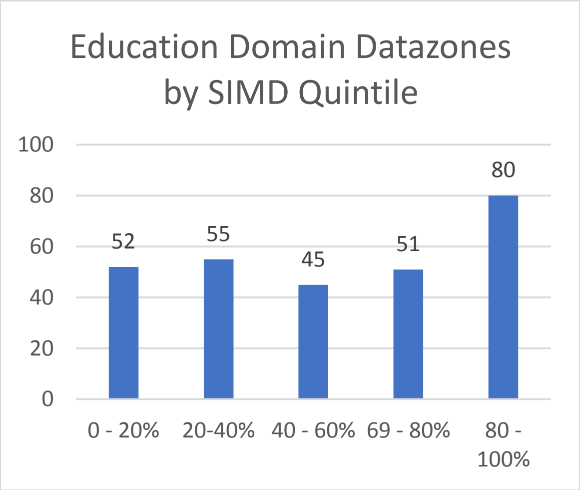
1.16.5 Deprivation - Within Aberdeen there are areas of significant deprivation and inequality. Aberdeen continues to have deprivation 'hot spots' that are amongst some of the most deprived areas in the country and these can lie adjacent to some of the least deprived areas. In Aberdeen, 29 areas are among the 20% most deprived in Scotland in 2020, 7 more than in 2016. Highest levels of deprivation are recorded for crime, housing and education domains. Whilst deprivation is a key driver of demand, it has, proportionately, a smaller impact on funding allocated to the council.

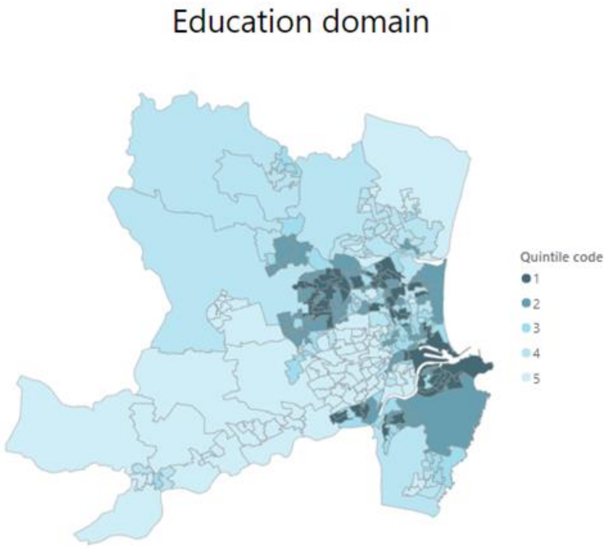
Areas of Multiple Deprivation 2020



1.16.6 Education - Significant investment has been made, and continues, to modernise the city's school buildings. In line with falling population projections and the potential increase in digital methods of learning, the school estate will continue to be reviewed to ensure it matches future levels and nature of demand. Education is the single largest area of spend for the Council and the majority of funding received for schools is based on the population of children and young people. School rolls have increased over recent years, however, the long term projection is for a reduction in school age children. Should that occur, there will be a significant and corresponding impact on funding levels. Recent years have also seen an increasing trend in the number of pupils with additional support needs and a high demand for child and adolescent mental health services.

1.16.7 There is significant variation in educational outcomes across different areas in Aberdeen with 52 datazones being classed within the 20% most deprived in Scotland for the education domain of the Scottish Indices of Multiple Deprivation in 2020.





1.16.8 <u>Children's Services</u> - Aberdeen has more than 500 children who are "looked after" by the authority (LAC). This is, proportionately slightly lower than the national average (2019 comparisons), however, a higher rate of the city's LAC are placed either with foster carers or in residential accommodation and a significantly higher proportion of Aberdeen's LAC have a recorded disability. The city also has a higher proportion than the national average of children on the child protection register (2019 comparisons).

1.16.9 <u>Employment</u> - Aberdeen has had historically high employment, however, over 30,000 jobs are estimated to be at risk in Aberdeen. Unemployment is likely to rise considerably beyond 10% this year. Oil and Gas UK estimate 30,000 jobs in the sector in the UK could be lost as a result of the coronavirus pandemic and the low oil price with around a third of these in the North East.

Proofed Unemployment Calculation; Jan 2019-Dec 2019			
	Aberdeen City	Aberdeenshire	Aberdeen City & Shire
Economically Active Aged 16 Plus	132,400	142,200	274,600
Unemployment aged 16 plus	4,200	3,800	8,000
Unemployment Rate	3.2%	2.7%	2.9%
5 % Unemployment Range	6,620	7,110	13,730
10% Unemployment Range	13,240	14,220	27,460
15% Unemployment Range	19,860	21,330	41,190

1.16.10 The impact of COVID-19 social distancing measures had an immediate impact on the labour market. From 1st March new Universal Credit claimants in Scotland rose from a daily average pre-crisis of 800 to 12,002 in May.

1.17 Increased financial risk and sensitivity – what Covid-19 means for the immediate short-term

1.17.1 It is impossible to say with any degree of certainty just how long the Covid-19 pandemic will last and when we can expect it to come to an end. There is debate about how we should define "the end" - 2 definitions exist each with a separate timeline:

- An epidemiological end point when herd immunity is achieved; and
- A transition to a form of normalcy characterised by vaccination of the highest risk population, accurate testing, improved treatments.

1.17.2 We know that the need for health and social care undergoes large seasonal fluctuations, peaking in the winter. The size and severity of any influenza epidemic this winter is very difficult to estimate. But regardless, a winter influenza epidemic will further compound the pressures being felt by the Covid-19 pandemic.

1.17.3 As both the UK and Scottish governments consider their financial plans for 2021/22 and beyond, they will have to make assumptions about the course the pandemic will take over the financial year 2021/22. The World Health Organisation is reporting that 11 vaccine candidates are in final Phase III trials and both China and Russia have begun public use of vaccines in limited quantities. A high level of external uncertainties – political, social and epidemiological - will however likely remain into 2021.

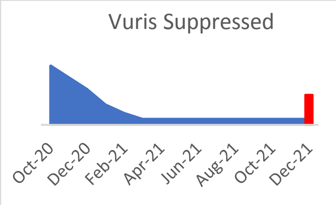
1.17.4 The council's scenario planning in relation to the epidemiological path of Covid-19, and the related impact of that on the City and Council services, has been ongoing. In October 2020, the scenarios and responses have been updated to reflect anticipated and potential impacts moving forward.

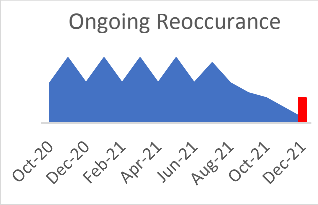
Covid-19 Scenarios

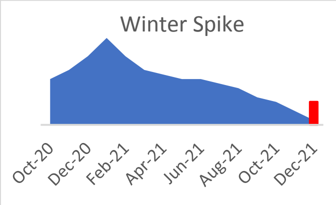
1.17.5 At the time of this review, 2 October 2020, scenario 2 is in operation. A national and local increase in cases has been recorded following the start of the further and higher education term. Restrictions vary across Scotland and are being adjusted in response to outbreaks.

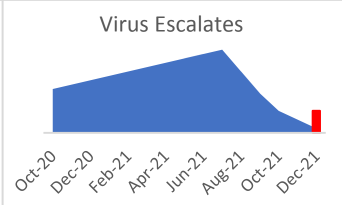
Table 1: Covid-19 Short-Term Scenarios

1. Virus Supressed	**2. Virus recurrence - Responsive Restrictions**	**3. Virus recurrence – Planned Winter Restrictions**	**4. Pandemic escalation**
Current restrictions are effective, restrictions are relaxed, and the Scottish Government Route Map implemented in full	*Local restrictions continue to be modified regularly in response to multiple outbreaks*	*Risk assessment leads to planned proactive national restrictions over winter 2020/21 for a defined period*	*Full lockdown is reintroduced for an undetermined period due to consistently high infection rates*









Potential Direction of Travel for Route Map Phases

0	1	2	3	4	0	1	2	3	4	0	1	2	3	4	0	1	2	3	4

The end of the Pandemic (indicated above)

1.17.6 Latest advice suggests that a vaccine could become widely available by mid-2021. However, there is, of course, much uncertainty on the production, distribution and efficacy of a vaccine. For this review it is assumed that the epidemiological effects of Covid-19 will remain significant until at least the end of 2021.

Response and Restrictions

1.17.7 The Scottish Government Route Map restrictions applied as the path of Covid-19 develops. It is likely that these will be the restrictions which continue to be used, either relaxed or imposed, as the situation determines. At the time of writing , it is expected that the Scottish Government will be publishing a 5 tier system of levels of intervention. The effectiveness of, and need to increase and reduce, interventions is closely linked to movement in Scotland's R number. If this remains above 1 it is not anticipated that restrictions will be relaxed and further measures could be expected.

1.17.8 The table below lists the main levers identified within the Route Map. Phase 0 describes "Full Lockdown". Phase 4 describes the full implementation of the Route Map. The scale and severity of restrictions described in Phases 1 to 3 may be applied in varied ways depending on the circumstances of each outbreak and the level of assessed risk.

Table 2: Scottish Government Route Map main levers

Phase 0 - Full lockdown	**Phases 1 to 3 – Flexible Levers Used** *(The scale to vary both nationally and locally)*	**Phase 4 – End of Route Map**
• *Contact within own household only.*	• *Restrictions on meeting other households* • *Identification and support for "shielded" individuals* • *Restrictions on public gatherings*	• *Schools, childcare, colleges, universities, all workplaces open and public services operating,*

• *Identification and support for "shielded" individuals* • *No public gatherings.* • *Essential travel only, staying in local area.* • *Schools and childcare closed.* • *Universities and colleges closed.* • *Non-essential workplaces closed.* • *Shopping for necessities, with distancing measures.* • *Closure of non-essential retail, including businesses selling food or drink, entertainment premises and leisure facilities.* • *Non-urgent care health care stopped.*	• *Restrictions on non-essential travel* • *Restricted physical outdoor activity / indoor activity* • *Schools may be open or closed* • *Childcare provision may be restricted to critical* • *Non-essential outdoor workplaces, including construction may have some restrictions* • *Retail restrictions including food outlets, garden centres, takeaway, cafes, street access shops, shopping centres* • *Pubs and restaurants may have restrictions* • *Museums, galleries, libraries, cinemas restricted* • *Direct contact for social work and support services with at risk groups permitted* • *Respite/day care services restricted* • *Household Waste Recycling (centres or collection) restrictions* • *Restrictions on community health inc. mental health* • *Housing moves restricted* • *Visitors to care homes restricted.*	*but in line with public health advice. Service design may be modified, including use of digital services. Remote and flexible working remains encouraged.* • *Mass gatherings resume in line with public health advice.* • *Physical distancing may remain*

1.17.9 The Coronavirus pandemic specific funding announcements made by the Chancellor of the Exchequer, have led to £6.5 billion of additional Barnett Consequentials for Scotland. Almost all of the funding that flows to local government applies to the current financial year 2020/21, a small proportion of education related funding has been committed to the end of the 2020/21 academic year.

1.17.10 The impact for next financial year can be characterised from the local government sector and council perspectives. The speed and scale of economic bounce back economically is crucial to the financial settlement provided to local government, with 100% of the national non-domestic rates (NNDR) income being allocated to local government. If the economic position in 2021/22 means that businesses are unable to create the national income levels, or further reliefs need to be provided to specific sectors of the economy – such as retail, hospitality and leisure this year - then the local government settlement is at serious risk. Pre-Covid-19 NNDR income represented 27% of the total local government funding, but £1bn of reliefs have been funded by UK Government consequentials, if the economic conditions don't exist and grant funding is not allocated then the sector faces potentially massive financial reductions. Further risk arises from the consequences of depressed or falling property valuations from the implementation of the Non Domestic Rates (Scotland) Act 2020, Scotland moving to a three year revaluation cycle, the next being April 2023, based on property valuations on 1 April 2022.

1.17.11 From the council perspective, the continued loss of income is particularly relevant, with car parking income, venue and events income at risk and planning / building consent monies also predicted to be short of normal levels. Much will depend on customer behaviour and the progress through the Route Map. There is also a significantly higher risk associated with the council's arm's length external organisations (ALEOs) if progress along the Route Map is paused, interrupted, or becomes more prolonged. The value of external income they generate to support the size of the organisations may require additional financial commitments from the council.

1.17.12 Expenditure pressures from additional requirements, enhanced guidance and good practice all add to extra facilities costs such as cleaning and protective equipment are obvious pressure points.

1.17.13 To counteract some of the risk, flexibilities confirmed in October 2020 by the Scottish Government, provide levers for local authorities over the course of this and next year. There are three:

1. Capital receipts received in 2020/21 and 2021/22 can be used to meet revenue funding pressures caused by Covid-19 impact, recognising that the value and likelihood of capital receipts may be affected by the pandemic too. The Council has current commitments in relation to voluntary severance and early retirement and transformation costs that must be first met from any capital receipt received.

2. Credit arrangements, for example PPP/PFI service contracts, applying revised international accounting standards that are due to be implemented in 2021/22 could provide scope to make debt repayments included in these contracts over an extended period. The flexibility allows early implementation, in 2020/21 to help mitigate the costs of Covid-19. This is a flexibility that the council should explore as it would bring parity with current capital repayment policy.

3. Loans fund repayment holiday, deferring the planned repayment of debt principal for 2020/21 or 2021/22 (not both years), creating a saving. This is not a cancellation of the money owed, and the council will then face higher payments in future years to repay the missed payment over a period of not more than 20 years. The council should avoid this flexibility as it will add revenue pressure to the medium to long-term financial scenarios.

1.17.14 The Cabinet Secretary for Finance, in granting the flexibilities was clear that this must not be seen as an opportunity to maintain or grow reserves. Local authorities must consider these in order, first consider the additional resources available from capital receipts and the change in accounting arrangements for service concession arrangements before taking advantage of a loans fund repayment holiday.

1.18 Conclusion:

1.18.1 The council's environment is extremely complex and multi-dimensional with significant demand and a high ambition for improvement. This places pressure on the resourcing of all elements of council activity to the desired level and tension between where funds are deployed for best value.

1.18.2 Unexpected and sustained changes to the environment add to these resource allocation decisions. There remains much uncertainty and debate about what constitutes an end to the Covid-19 pandemic and when that will be. Many experts suggest that we will continue to experience recurrences into 2021 and with a vaccine available at some point in 2021, and thereafter we will see a reduction over several years.

1.18.3 Throughout 2020, we have seen a considerable financial injection from government to mitigate the impact of the required public health measures to the virus. Given the commonly held view that the virus will continue into 2021, I am assuming that the financial year 2021/22 will continue to see financial support being provided by the government both to citizens, businesses and public sector bodies.

1.18.4 Drawing from Section 3, at best a prospect of flat cash for the year ahead, however financial constraint applying a downward pressure on the core funding received by the council in the years that follow. This reflecting the anticipated continuation of funding and financial support for the public sector in 2021/22 that will be needed as the pandemic continues.

1.18.5 Council Tax remains the highest value financial lever that the council has, exercising an increase in the rate annually provides opportunity to increase income of a recurring nature although economic growth will have an impact on the value of uncollected sums and the overall rate of change in the number of chargeable properties.

1.18.6 Fees and charges are expected to remain a positive contributor to the council although the impact of ongoing restrictions during 2021/22 and the knock on behavioural changes from our customers will shape large sums of income going forward.

1.18.7 Proposals for a draft 2021/22 budget will be submitted to council's budget meeting in March.

2. THE FUNDING CONTEXT BEYOND 2021/22

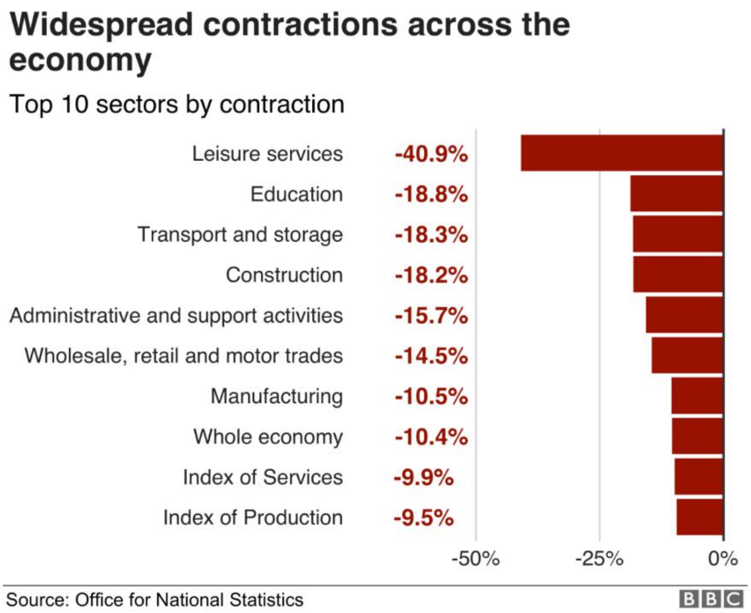
2.1 Economic Outlook

2.1.1 2020 will undoubtedly be seen as a year when everything changed. An unprecedented government intervention in response to the Coronavirus pandemic brought about global changes in how we live our lives and the corresponding consequences on business and the economy

2.1.2 Data from the Socio-Economic Rescue Plan[2], presented to the council's Urgent Business Committee on 30 June 2020, provided the backdrop for the shape and future of the economy, how it may or may not recover and over what timescale.

2.1.3 This included monthly Gross Domestic Product (GDP) data from March to April 2020 that showed the impact of the pandemic on the economy, headline being a fall in GDP in April 2020 that was the biggest shock in the economy since records began, when UK GDP output fell by 20.4%. Sectors reliant on physical distance restrictions were fundamentally challenged including leisure services, education and transport and as Chart 1, below shows.

Chart 1:

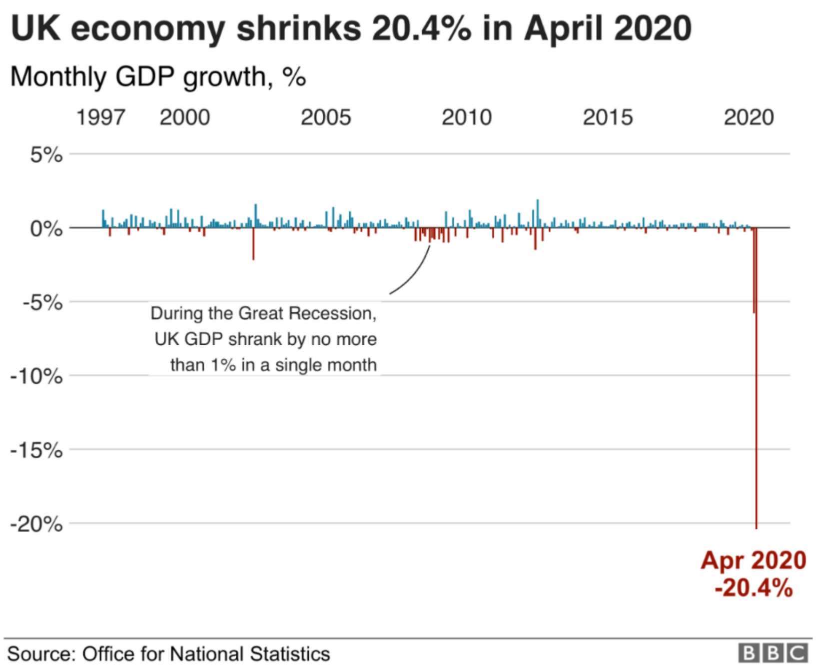


2.1.4 The Office for National Statistics (ONS) have described the April falls as "historic" and affected virtually all areas of activity with shutdown restrictions coming into force. They have then continued.

2.1.5 Just how historic this has been is indicated, by comparison, in the last economic shock (2008/09 financial crisis), the largest fall in any single month was 1%. Illustrated by Chart 2.

[2] http://councilcommittees.acc.gov.uk/ieListDocuments.aspx?CId=334&MId=7423&Ver=4 Item 11 on agenda.

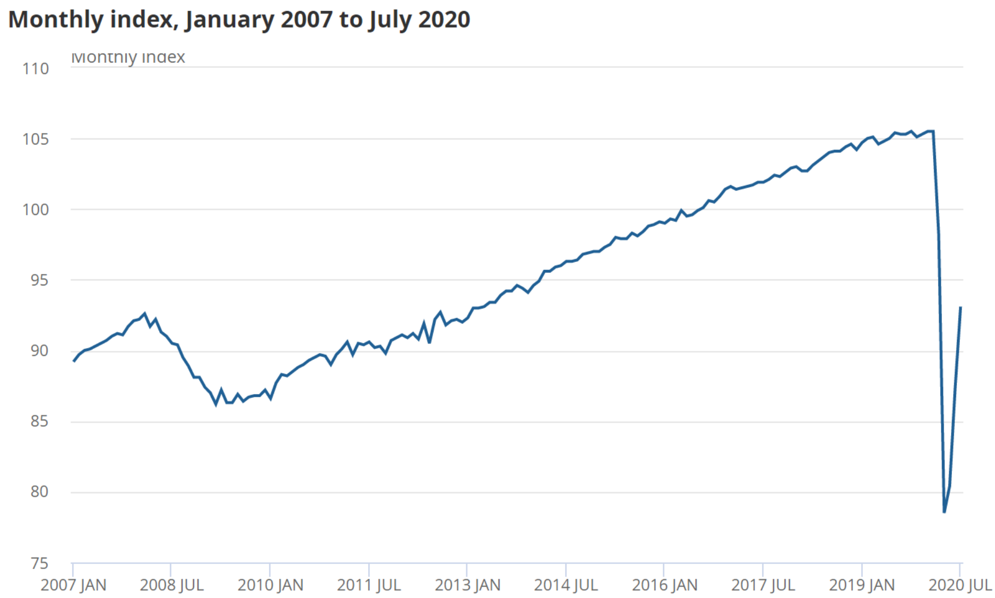
Chart 2:



2.1.6 The challenge of forecasting what happens next is not to be understated and it is clear from the latest Office for National Statistics (ONS) when they report for July that "GDP estimates for July 2020 are subject to more uncertainty than usual as a result of the challenges we faced estimating GDP in the current conditions."

2.1.7 The ONS July monthly estimate indicates that UK GDP grew by 6.6% in July 2020, the third monthly increase, but it has still only recovered just over half the lost output caused by the coronavirus. It is shown in Chart 3 below.

Chart 3:



Source: ONS, published September 2020

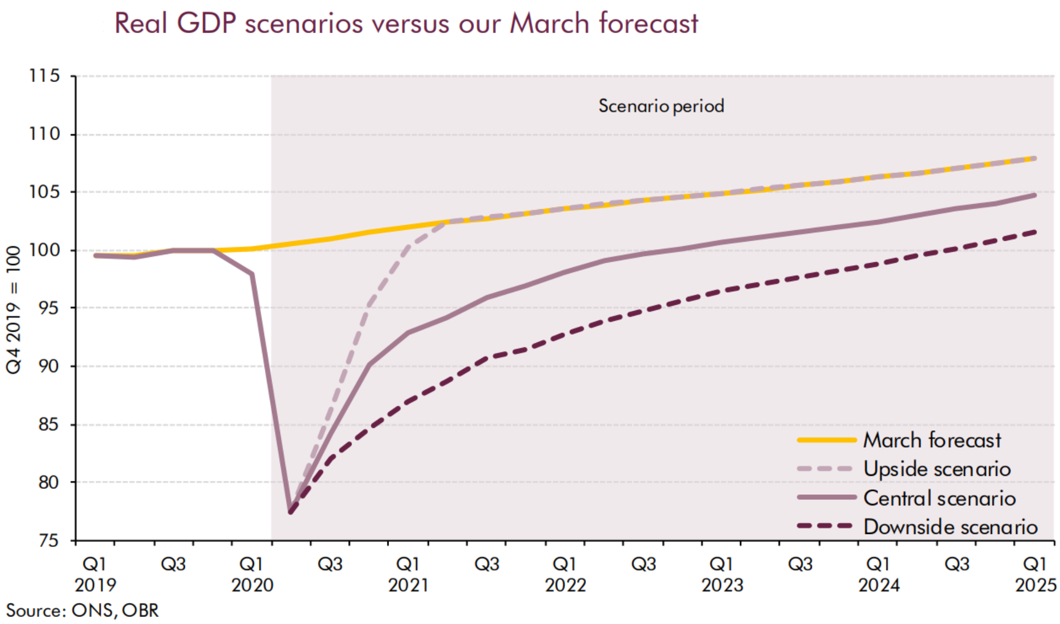
2.1.8 What does this mean though? The changes need to be compared to the expected economic growth and the impact on government income, that ultimately funds the public sector spending – the UK Budget.

2.1.9 The Office for Budget Responsibility published their latest Financial Sustainability Report that sets out to predict the long term recovery of the economy and compare that to the forecasts that had been made in March 2020, when the UK Budget was set for 2020/21. The deviation from the March position is striking and their use of scenarios is an indication of the level of uncertainty the economy faces.

2.1.10 They said in July "The coronavirus outbreak and the health measures put in place to address it have resulted in a very sharp economic contraction, leaving the UK on track to record its largest annual fall in GDP in 300 years." The recovery is far from certain and their scenarios reflect a 'upside, downside and central' position.

- upside scenario, activity rebounds relatively quickly, recovering its pre-virus peak by the first quarter of 2021, and there is no enduring economic scarring.
- central scenario, output recovers more slowly, regaining its pre-virus peak by the end of 2022. Cumulative business investment is 6 per cent lower than in the March forecast over five years, while unemployment and business failures remain elevated. Real GDP is 3 per cent lower in the first quarter of 2025 than in their March forecast.
- downside scenario, output recovers even more slowly, returning to its pre-virus peak only in the third quarter of 2024. This results in a more significant loss of business investment, more firm failures and persistently high unemployment as the economy undergoes significant restructuring. Real GDP is 6 per cent lower in the first quarter of 2025 than in their March forecast.

Chart 4:

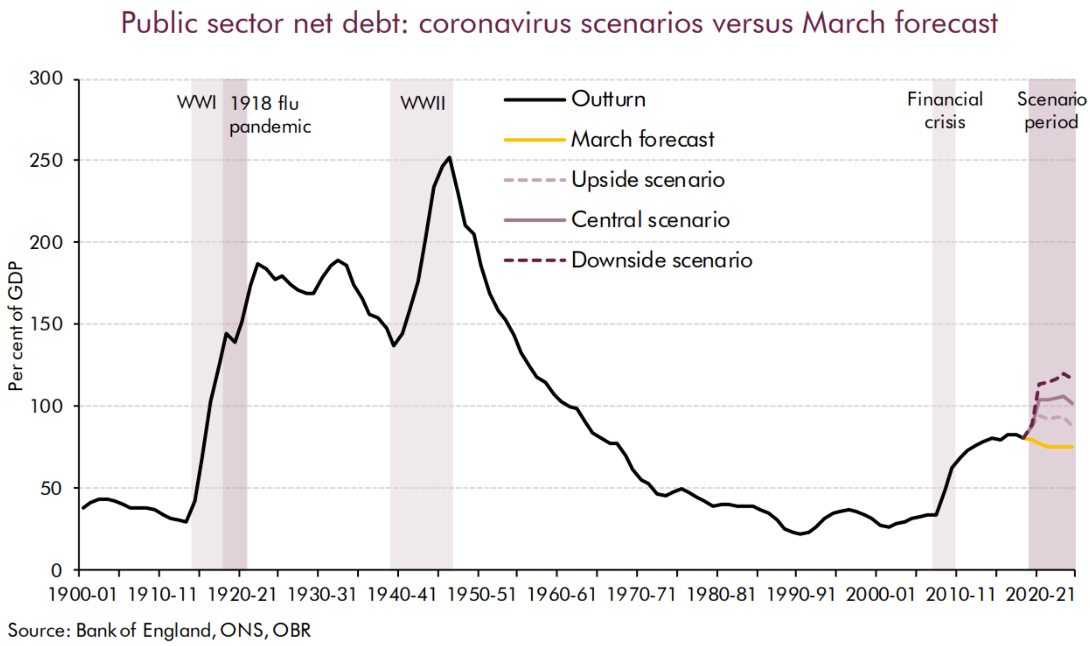


2.1.11 The cost of a 3% lower level of GDP, at today's prices is £70+billion. For the 'Central' scenario to have such a large impact on the March forecasts must have consequences for the UK Budget and spending for the years that follow. This, before the increasing level of debt is considered.

2.1.12 The OBR refer to the impact on borrowing as "unprecedented peacetime rise in borrowing this year to between 13 and 21 percent of GDP, lifting debt above 100% of GDP in all but the upside scenario." This was forecast ahead of funding announced by the Chancellor on 8 July 2020, and anything thereafter.

2.1.13 Public Sector Net Debt above 100% of GDP will be the first time since the early 1960s. With further measures having been announced during the months since July, including the Job Support Scheme, replacing the Job Retention Scheme (furlough), the picture emerging is increasingly concerning and bleak for the public sector in the UK.

Chart 5:



2.1.14 Despite low borrowing rates, the debt will have to be serviced by the UK budget and ultimately repaid. Therefore, the Council needs to be prepared to respond and pre-empt the likely scenarios that will arise for the funding of public services going forward, and over the medium to long term. The consequences of the pandemic and the uncertain future will be evident for years to come.

2.1.15 To emphasise the point, the OBR concluded in July that "The Government's ability to push the deficit ever higher rests in part on the credibility of the institutional framework that gives investors confidence that the value of the government bonds they purchase will not be deliberately eroded in the future. Its willingness to push the deficit higher points to an increased reliance on the use of fiscal policy in 'bad' times, which implies that debt will also need to fall more quickly in 'good' times to build up fiscal space."

2.1.16 In conclusion, the upside scenario appears unlikely and to underline this Moody's credit rating assessment announced on 16 October 2020 downgrades the UK a further notch to Aa3, citing growth will be 'meaningfully weaker' than anticipated.

2.1.17 The downside scenario shows considerable challenge over a prolonged period and there remains optimism that the UK economy has the fundamentals for recovery. The council considers the central scenario most likely and will proceed to use this as the basis for underpinning the strategy.

2.2 Other Significant External Risks

2.2.1 *Exit from the European Union (EU)* - The UK left the EU on 31 January 2020 and entered an 11 month period of transition during which the UK effectively remained within the EU's customs union and single market and continued to be subject to EU rules. This is due to end on the 31 December 2020. The nature of any agreement with the EU and subsequent arrangements put in place, as well as trade deals with non-EU countries, will impact on a range of areas such as trade, skills, and EU funding. The nature of economic activity in Aberdeen is likely to be sensitive to potential changes to trading arrangements and restrictions on the movement of people and the council is continuously assessing and seeking to mitigate a range of risks associated with the exit from the European Union, including potential budgetary impacts.

2.2.2 *Pressures on other public sector organisations* - All public sector organisations are under increasing financial pressure as changes in funding and increases in demand are not supported by funding. Whilst Aberdeen City has a strong record in working with partners to improve outcomes, prevent harm and increase public sector efficiency, the additional pressure on all public sector agencies may raise the risk that preventative activity, which is necessarily multi-agency in nature, may be more difficult for partners to sustain when facing increasing pressure to support responsive services. Behaviours which are not based on a whole system approach and are narrowly defined by attribution of cost benefits to individual organisations should be avoided.

2.2.3 *Emergency Response* - Covid-19 is, of course, the primary focus of emergency response in 2020 (as detailed in Section 1), but other emergency events and situations are likely to occur. These may include, for example, incidents related to climate change; terrorist attacks; infrastructure issues with national implications (eg. Grenfell Tower); further pandemics, etc. The council's own plans to respond and recover quickly and effectively from longer term emergency incidents are being further strengthened and may require further financial investment.

2.2.4 *Corporate Liabilities* – Local authorities are exposed to several liabilities which have significant financial pressures if they occur. For example, the Scottish Child Abuse Enquiry led to financial claims which fall liable to councils; fines can be imposed on councils by the Health & Safety Executive, the Information Commissioner and other regulators.

2.3 The Funding Outlook – UK

2.3.1 On 23 September 2020, the UK Treasury announced that the Autumn Budget had been cancelled. We should expect however a spending review and confirmation of the likely shape of government funding.

2.3.2 The budget in March 2020 amounted to £928 billion. Funding for the budget relies on employment and indirect taxes, for example VAT, therefore the importance of employment levels and individuals having disposable income available to them cannot be understated. The consequence of the economic position described in the previous section makes the impact on public sector spending all too stark.

2.3.3 Employment levels falling, unemployment levels increasing has the double edged impact of reducing income to the Treasury and Revenues Scotland while the cost of social protection increases.

2.3.4 Borrowing plugs the gap for the short-term, but as discussed above the situation is unsustainable and the repayment of the net debt must be achieved to provide market stability and maintain strong credit credentials on the global stage.

2.3.5 The budget for 2020/21 did not take account of the emerging pandemic and therefore the impact of fiscal support announced by the Chancellor has been on top of those spending plans. The OBR in their August Commentary, published 25 September 2020, stated that "Less than halfway through the 2020-21 fiscal year, the budget deficit has already topped full-year borrowing in 2009-10 (at the peak of the financial crisis)."

2.3.6 "Despite that, year-to-date borrowing is lower than assumed in the central scenario from our **Fiscal sustainability report**, as both GDP and tax receipts have fared less badly than assumed. With the virus taking hold again and the Chancellor announcing new support measures, prospects for the rest of the year remain highly uncertain."

2.3.7 In figures, this means the UK Budget deficit for 2020/21 had reached £174 billion by the end of August 2020, this compares with £27 billion at the same point last year (2019/20).

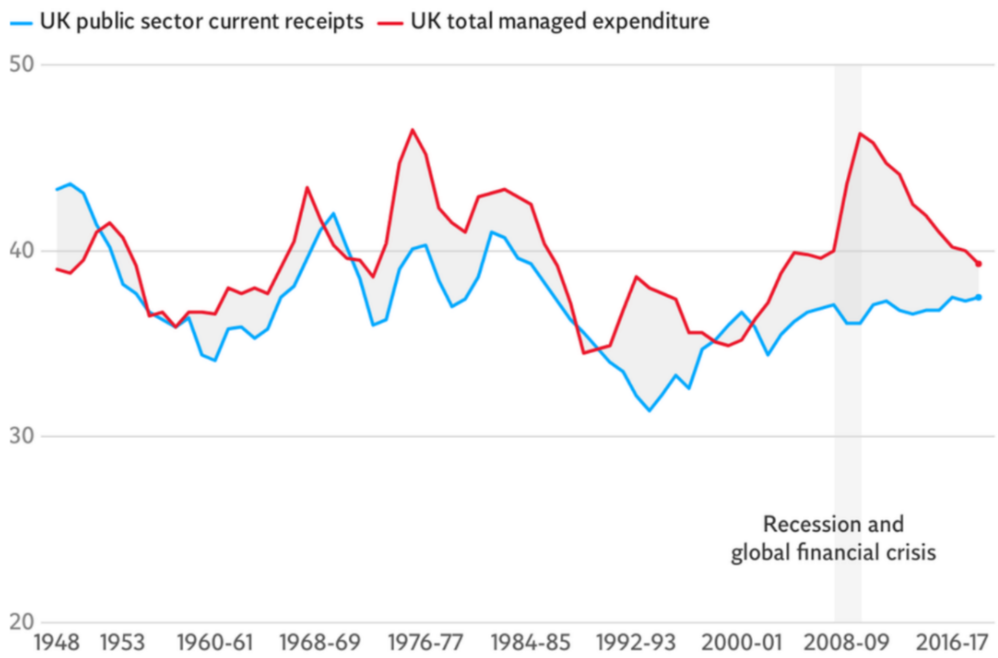
2.3.8 Government Spending was driving much of that increase, with unprecedented values and volumes of support payments being paid out, it amounted to 33% higher spending levels in 2020/21 than in 2019/20.

2.3.9 According to the National Audit Office (NAO) the Government had instigated 190 measures in response to the pandemic, including emergency job support, additional NHS funding and financial support for businesses. The cost in the first six months has been estimated at £210 billion, additional expenditure of approximately one quarter of the UK Budget.

2.3.10 Public spending at this level is neither affordable nor sustainable for the country and therefore the funding position of the public sector in the future must be at high risk of contraction and/or resizing to adjust to the new normal. With the Scottish Budget continuing to be heavily reliant on the Barnett formula that distributes the Block Grant to Scotland – approximately two thirds comes to Scotland from the UK Treasury – any changes in UK Government funding policy and the size of the UK Tax Revenues will have a material impact on Scottish public services.

2.3.11 An example of the consequences of massive financial intervention in an economic crisis can be seen from the chart below, prepared by the OBR, showing the steep contraction of public spending following the 2008/09 financial crisis.

Chart 6:

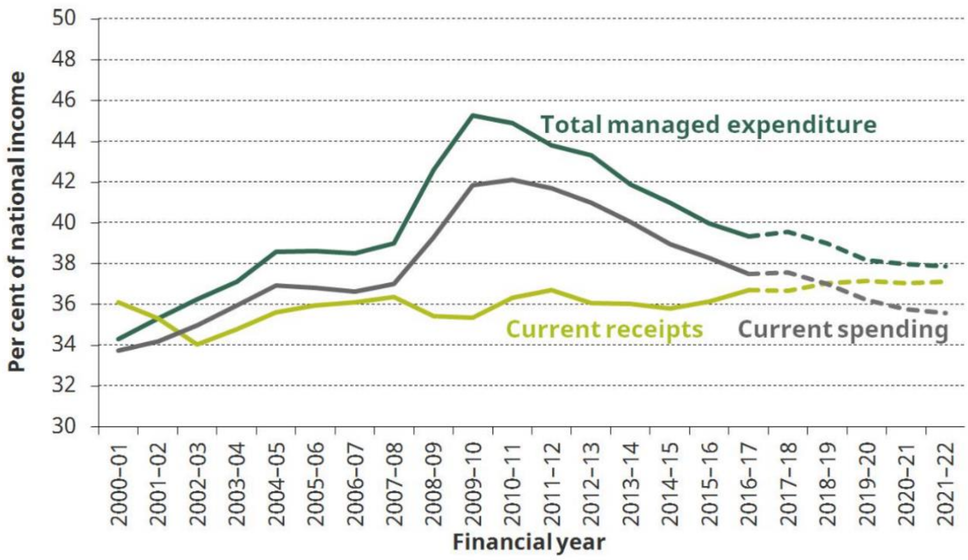


Source: Office for Budget Responsibility

2.3.12 The Coronavirus pandemic has had to have a very different response from government, from the financial crisis with the scale of budget deficit and public sector spending being even greater than in 2008/09. A correction will have to be expected.

2.3.13 The correction following the financial shock in 2008/09 resulted in a contraction in UK public spending and increased taxes, this had impact at a UK level from the following year, 2009/10 and is demonstrated by the Institute of Fiscal Studies analysis from 2017[3] in Chart 7.

Chart 7: Tax and spend as a share of national income since 2000



Source: IFS

2.3.14 The consequential effect on Scotland's finances must be of serious and urgent concern. The level of uncertainty heightened by the cancellation of the UK's Autumn Budget 2020.

2.3.15 According to the Scottish Budget 2020/21[4] the impact of UK public sector contraction between 2010/11 and 2020/21 Scotland's discretionary resource budget has fallen 2.8% in real terms, almost £1bn.

2.3.16 Covid-19 represents a physical shock to the system, which is creating an economic shock. It is a reasonable assumption to make that the economic shock will be followed by a period of public spending contraction.

2.3.17 Three things are uncertain at this point – how much of a contraction will we see, when will it take affect from and within the devolved settlement to Scottish Government how will this be allocated across the different parts of the public sector in Scotland

1. How much of a contraction – According to the Scottish Government's budget 2020/21 the ten year impact of the last economic shock was £1bn in real terms,

[3] IFS, Two Parliaments of Pain, May 2017

[4] Scottish Budget 2020/21, Scottish Government

with financial intervention much greater it is not unreasonable to forecast further real terms reductions of similar scale based on a "central" scenario.

2. When will it start is difficult as the end of the event itself is uncertain, as described earlier. The evidence from the aftermath of 2008/09 financial crisis is that in 2009/10 public sector spending was at its peak. Contraction for Scottish local government started a year later, with the peak funding settlement delivered in 2010/11. The council should expect that funding contraction will happen no later than 2022/23.

3. How will it be allocated within the devolved settlement – Section 2.3 explores this in more detail.

2.4 The Funding Outlook – Scotland, Local Government and Aberdeen City Council

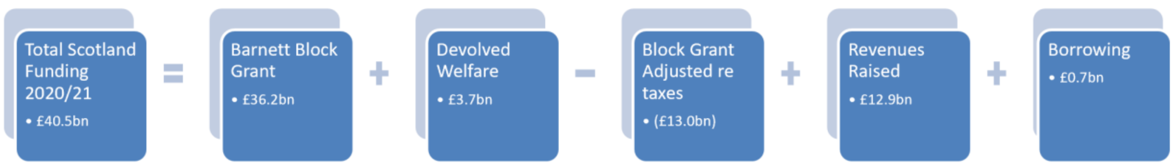
2.4.1 The primary source of funding for the delivery of Council Services is the Scottish Government through the allocation of general revenue and capital grants, and the distribution of national non-domestic rates income. In Scotland Local Government funding accounts for approximately a quarter of the total budget, in 2020/21 approximately £10.5 billion.

2.4.2 With approximately three quarters of the Council's net revenue funding being received in this way it is simple to see why UK and Scottish Government policies and economic forecasts impact on the level of Council funding.

2.4.3 The Scotland Block Grant from UK Treasury is based on the Barnett Formula, adjusted to take account of taxation and fiscal powers now devolved to the Scottish Government. This adjustment is captured under the Fiscal Framework between the UK and Scottish Governments.

2.4.4 For financial year 2020/21 Scotland's Budget, excluding Annually Managed Expenditure (AME)[5], amounted to £40.5 billion, when set in March 2020. This is the element of the budget the Scottish Parliament can make decisions about.

Diagram 1: Original Scotland Budget 2020/21, excluding AME



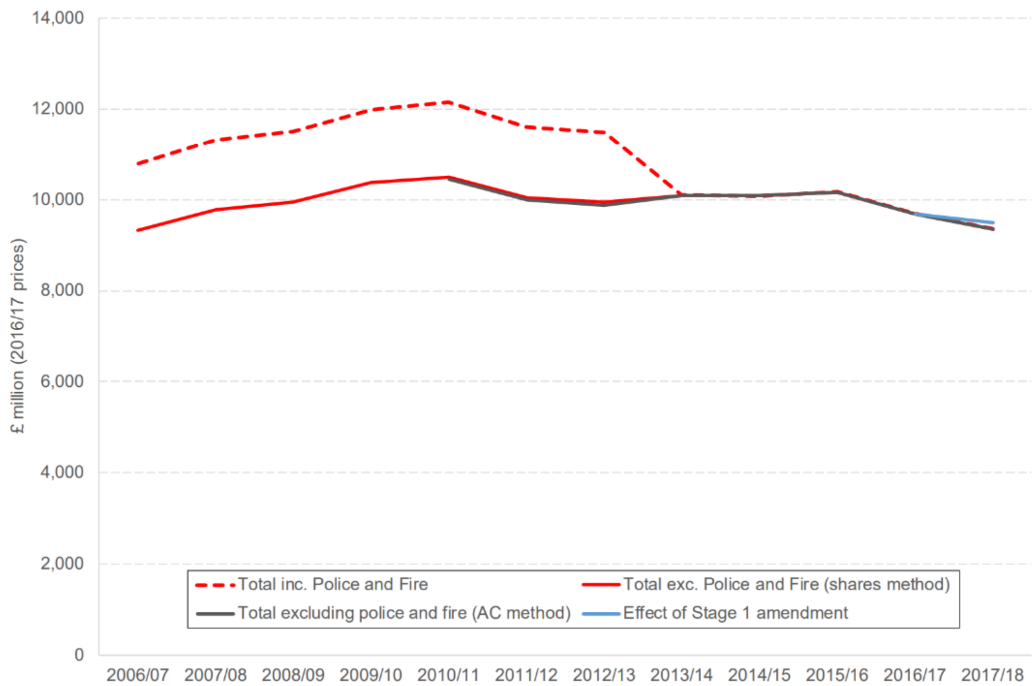
[5] AME is specific grant funding paid by UK Government to cover costs such as NHS and teacher pensions and student loans. In 2020/21 this amounts to £8.7 billion.

2.4.5 The 2020/21 budget reflects the changing picture of devolved powers, including devolved social security payments and farm payments, previously funded by the EU.

2.4.6 Notable is the adjustment to the block grant for the devolved tax raising powers that now sit with the Scottish Parliament. The size of the Scottish Budget is therefore directly affected by economic performance, through taxation revenues, in Scotland compared to the rest of the UK. In 2020/21 there is a shortfall in the value of the adjustment, i.e. more has been taken out of the budget by the Fiscal Framework adjustment calculation than the Scottish Government can put back in. Diverging economic performance could place added pressure on the Scottish Budget in future years.

2.4.7 The picture of local government funding, following the peak year of 2010/11 was captured in a report[6] by Fraser of Allander in 2017, which unravelled the complexity of measuring the impact on local government services as known today. That complexity refers to the removal of Police and Fire Services in 2013/14. They calculated that between 2010/11 and 2017/18, based on the Accounts Commission methodology the real terms decline for local government was 9.3%, around £1bn lower than in 2010/11.

Chart 8: Total revenue funding to local government (including Non-Domestic Rates and specific grants), 2006/07 – 2017/18

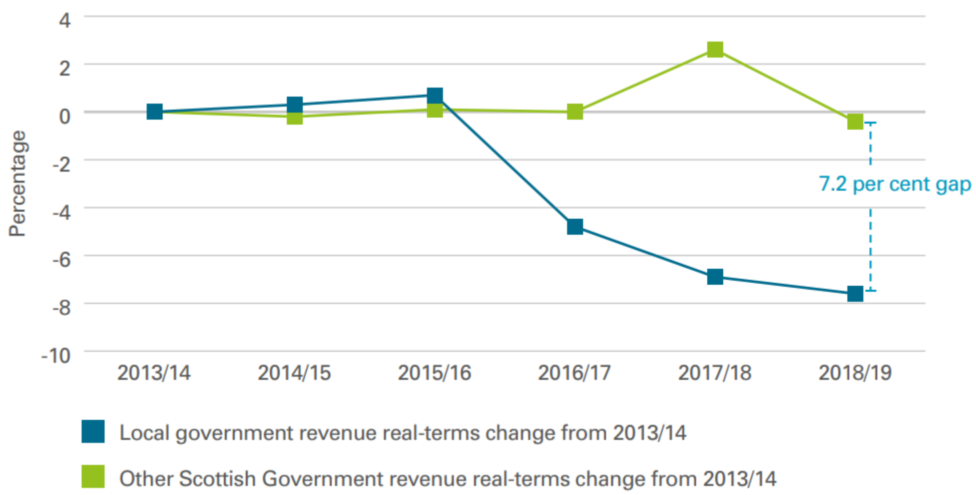


Source: Local Government Finance Circulars, FAI analysis

[6] Fiscal issues facing local government in Scotland, Fraser of Allander, March 2017

2.4.8 Last year the Accounts Commission, in their Local Government in Scotland Financial Overview 2018/19[7] report, described the difference in funding between the local government sector and the other areas of the Scottish public sector. Their report described the real terms change in funding since 2013/14 to 2018/19, local government seeing a 7.6% reduction in real terms fall in funding, while elsewhere that reduction was limited to 0.4%.

Chart 9:



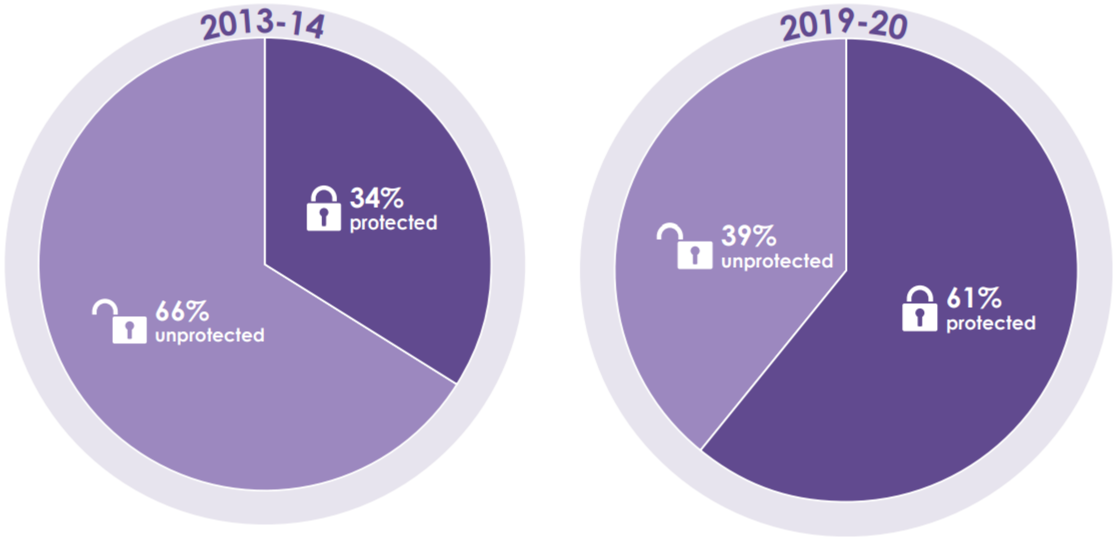
Source: Scottish Government budget documents and financial circulars

2.4.9 While it is acknowledged that in 2020/21 funding in total has reversed this to a certain extent, it is clear from the data that over the period 2013/14 to 2020/21 there has been reduction in funding in real terms of 3.3% to local government.

2.4.10 The quantum of the local government settlement is not the only issue arising, as the funding context for Scotland is one that is driven strongly by national policy and commitments. This is seen in the extent to which the local government budget is truly determined locally. According to the Convention of Scottish Local Authorities (COSLA), in their “Invest in Essential Services” information, “Ring-fencing, national policy initiatives and protections in education, health and social care continue to grow creating increasing protection.”

[7] Accounts Commission, published December 2019.

Diagram 2:



Source: COSLA, Invest in Essential Services

2.4.11 The Accounts Commission said in December 2019[8] "An increasing proportion of council budgets is committed to national policy initiatives. This reduces the flexibility councils have for deciding how they plan and prioritise the use of funding to respond to local priorities." This point was reiterated in June 2020[9], when they referred to "Councils have less flexibility in how they use funding. Funding dedicated to national policy initiatives increased from £1 billion in 2019/20 to £1.5 billion in 2020/21, equating to 14.1 per cent of council funding from the Scottish Government."

2.4.12 **Conclusion: Scottish Government Funding**

I. The allocation of any reduction by Scottish Government across the Scottish public sector portfolios is unknown so for scenario planning the following assumptions have been made.

Table 3:

Upside Scenario	**Central Scenario**	**Downside Scenario**
A continuation of the 3.3% reduction experienced over the last 8 years.	A return to similar reductions seen in the earlier years following the financial crisis, summarised as 9.3% over the 8 years from 2010/11.	An increased impact beyond that experienced to date, 18%.

[8] Accounts Commission, Local Government in Scotland Financial Overview 2018/19, December 2019

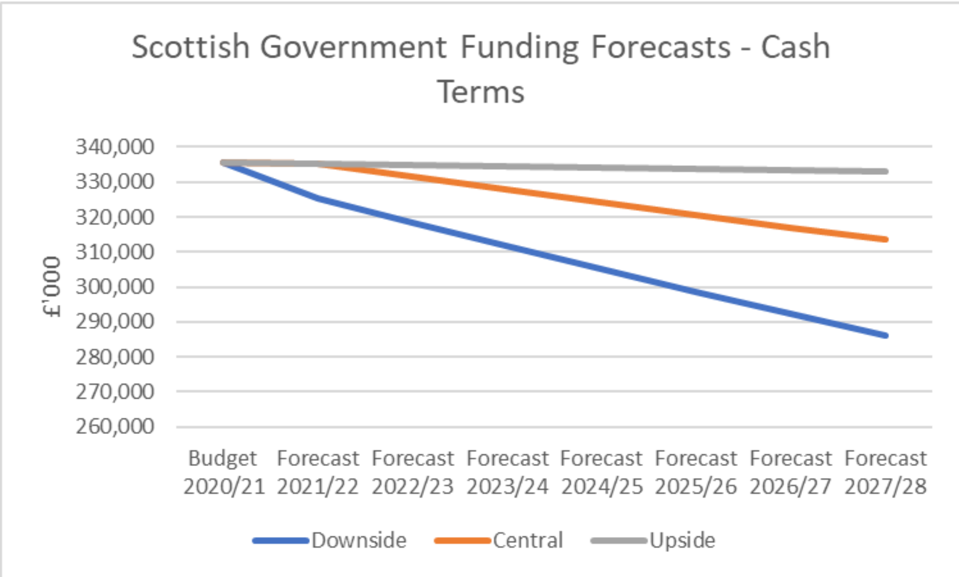
[9] Accounts Commission, Local Government in Scotland Overview 2020, June 2020

II. The level of "protection" that Scottish Government applies to its political priorities delivered by local government is also quantified.

Table 4:

Upside Scenario	Central Scenario	Downside Scenario
Mainstream national priorities and provide flexibility shifting resource protection to less than 10%.	Current level of protection continues, 14.1% of resources directed nationally.	Greater control directed nationally to deliver national priorities, raising protection to over 20% of local government resources.

Scottish Government Grant Scenarios



III. From an approved budget level (pre-coronavirus adjustments) of government funding of £336m, the upside position looks at a scenario of that reducing by just £3m to £333m over the next seven years. On the downside, and with greater likelihood the value of core funding could be as low as £286m, a funding range of £47m.

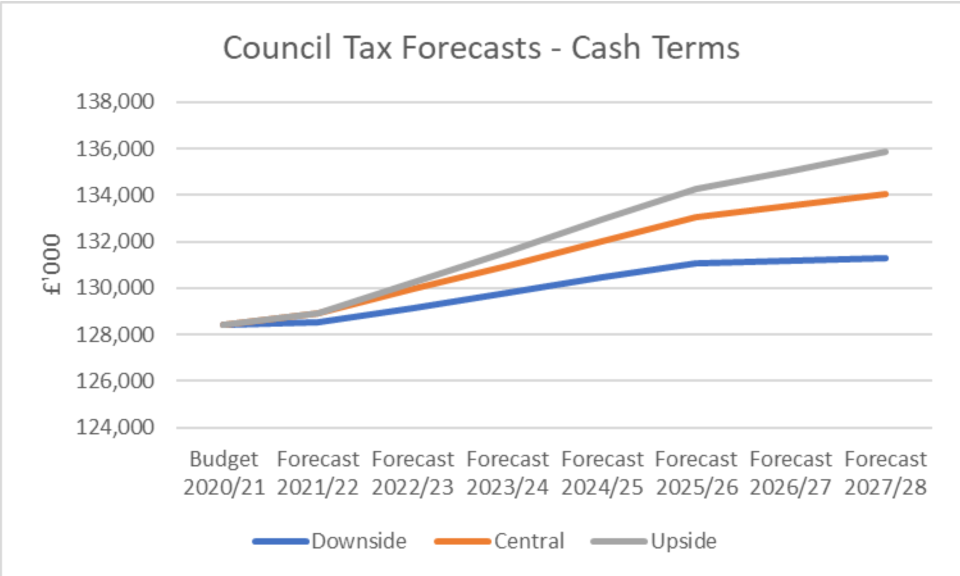
2.4.13 Limits placed on funding local government receives means that local authorities must turn to the fiscal levers they have, to exercise control and to influence the level of income they have, to pay for services. Fundamentally this means looking carefully at the power to raise funds locally from Council Tax, and to review / apply fees and charges for services that are delivered.

2.4.14 Exercising discretion over these fiscal levers is, again, not straightforward. The local government financial settlement puts restrictions on the most significant fiscal lever local authorities have, setting the Council Tax. The cap on Council Tax increases was introduced in 2017/18, following a nine-year Council Tax freeze, from 2008/09. The initial cap condition was absolute in cash terms at 3% and in 2019/20 a real terms limit of 3% was introduced, the cash limit therefore being higher. Despite this it offers local authorities limited opportunity to raise the funds they need to meet rising costs.

2.4.15 Limiting the value and / or missing the opportunity to increase Council Tax undermines the future value of this funding stream for the council.

2.4.16 **Conclusion: Council Tax**

Chart 11: Council Tax Scenarios

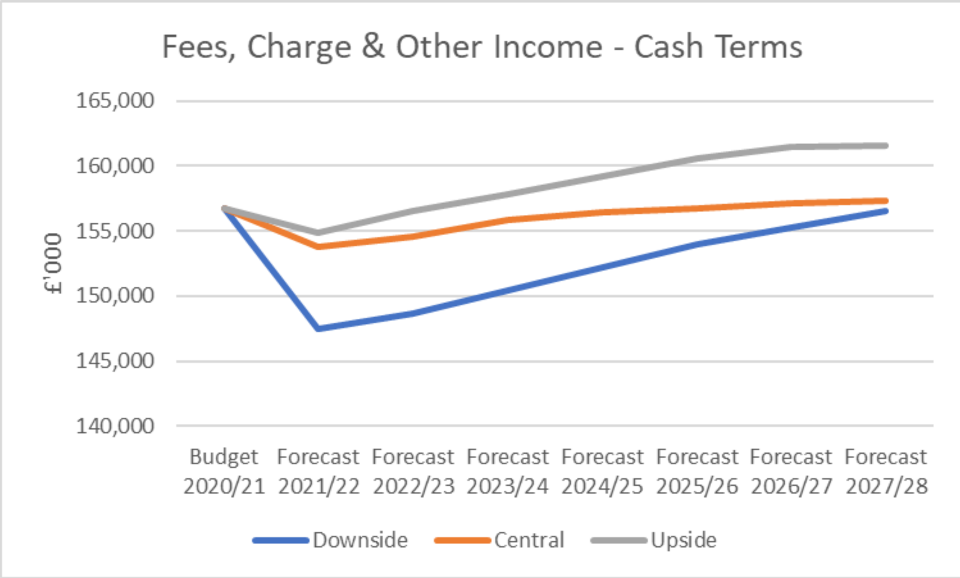


2.4.17 Fees and charges are an important source of funding for local authority services and some provide a positive inflow of cash to support the overall revenue budget, a common example being car parking income. Other external income raised through fees and charges will often recover a proportion of the cost of delivering a specific service, lowering the overall cost to the General Fund revenue budget. Securing an income from a strong customer base, with repeat use can help to avoid public subsidy for discretionary services.

2.4.18 Statutory and regulatory limits do hinder local government and in areas of planning and licensing, for example, the price paid by the customer is not set by the council and does not cover the cost of services delivered.

2.4.19 **Conclusion: Fees and Charges**

Chart 12: Fees and Charges Scenarios



2.4.20 Beyond these fiscal powers local authorities have very limited access to raise monies. Recent actions to open opportunities to local authorities has centred on infrastructure based levies, including road pricing, workplace parking and an infrastructure levy included in the Planning (Scotland) Act 2019. In addition, local authorities have sought to have the powers to collect a transient visitor levy.

2.4.21 While there is a mixed picture of legislation already in place to support these levies, it is clear that further regulation and statutory instruments are required to provide local authorities the powers to implement them and as was seen at the start of the coronavirus pandemic the Scottish Government announced (March 2020) a delay in the transient visitor levy legislation. It is going to be some time before local authorities can draw any benefit from such fiscal freedom.

2.4.22 **Conclusion: Discretionary Powers**

I. Table 5: Analysis of Emerging Discretionary Powers

Discretionary Powers	**Primary legislation in place (yes/no)**	**Required statutory regulation in place (yes/no)**	**Anticipated year we can expect to be able to use power?**
Transient Visitor Levy	No. Consultation on Levy completed December 2019.	No.	Unclear. Scottish Government announced in March 2020 that work to introduce a TVL had been halted by COVID-

			19. It is not clear if this is a temporary halt or a permanent halt.
Workplace Parking Levy	Yes. Transport (Scotland) Act 2019	No. Part 7 of the Transport (Scotland) Act 2019 has not yet been brought into force.	Unclear. Unlikely to be until after the COVID-19 situation is resolved - meaning 2022/23 financial year at earliest.
Infrastructure Levy	Yes. Planning (Scotland) Act 2019	No. The power to make regulations about an infrastructure levy is not yet in force and, as such, no regulations have been made.	Unclear. Unlikely to be progressed until after COVID-19 situation is resolved meaning 2022/23 financial year. Planning (Scotland) Act 2019 provides that the power to introduce a levy will lapse by 25 July 2026.

II. As the underlying statutory framework is not yet in place the scenario plans have not been affected by additional income arising from exercising these powers.

III. The council should continue to identify and evaluate emerging discretionary powers on a regular basis to determine their applicability to Aberdeen City.

3. THE CONSOLIDATED MEDIUM TERM OUTLOOK FOR THE GENERAL FUND

3.1 Medium Term Financial Strategy – Quantification of the Funding Gap

3.1.1 Overall, the medium term outlook is that increasing demand and pay and price inflation will drive costs up at a faster rate than the council can expect to raise income. This gap must be addressed for each individual year, but also sustainably for the future.

3.1.2 Details of the key assumptions are contained in the tables below. The calculations that flow from these assumptions reveal a particular sensitivity to Scottish Government funding levels and general pay and price inflation assumptions, while key components of the demand underpin rising costs, such as population demand changes.

Table 6: Funding and Income (percentages are shown in cash terms)

Source	Description	Upside Scenario	Central Scenario	Downside Scenario
Scottish Government Revenue Grant	Combined grant income from General Revenue Grant and Non-Domestic Rates.	Year 1-7 0%	Year 1 0% Year 2-7 -1%	Year 1 -3% Year 2-7 -2%
Council Tax	Increasing the rate is a council decision made at budget setting time, the Band D rate has therefore not been increased in any scenario, i.e. it remains based on 2020/21 value. The budget decision will provide a solution to address the scenarios.			
Council Tax	Tax base increase from additional chargeable properties.	Year 1-7 total 6,969 properties	Year 1-7 total 5,283 properties	Year 1-7 total 2,700 properties
Fees, Charges and Other Income	External income raised from customers. Approval for rate increases is a council decision, therefore rates charged in 2020/21 have continued to be applied to each scenario. The budget decision will provide a solution to address the scenarios.			
Fees, Charges and Other Income	External income changes due to Covid-19 impact	Year 1 £1.9m loss & return to current by year 3	Year 1 £2.7m loss & return to current by year 5	Year 1 £9.2m loss & return to current not achieved by year 7

Table 7: Expenditure (percentages are shown in cash terms)

Source	**Description**	**Upside Scenario**	**Central Scenario**	**Downside Scenario**
Inflation	Pay	Year 1-7 1% annually	Year 1-3 3%; Year 4-7 2%	Year 1-3 3%; Year 4-7 2.5%

			Year 4-7 2% (Teachers)	Year 4-7 3% (Teachers)
Inflation	Price – including contracts, grants and ALEOs	Between 0.5% and 1.25%	Between 1.25% and 2.5%	Between 1.25% and 3%
Inflation	Utilities, including Gas, Electric, Heating Oil, Water	Gas -1% Electricity 2.5%	Gas 0% Electricity 5.7%	Gas 5% Electricity 9%
Population Demand	Children, schools impact	Year 1-7 £7.1m increase		
Covid-19 Demand	Council Tax Bad Debt	Year 1 £1.7m increase & return to current by year 3	Year 1 £1.7m increase & return to current by year 4	Year 1 £2.6m increase & return to current by year 6
Covid-19 Demand	Increased Contingencies	Year 1 £1m Year 2 £0.5m Year 3-7 £0	Year 1 £1m Year 2 £0.5m Year 3-7 £0	Year 1 £1m Year 2 £0.5m Year 3-7 £0
Capital Investment Demand	Capital Financing	Year 1 10% Year 2 -3% Year 3-7 -4%	Year 1 10% Year 2 -1% Year 3-7 -2%	Year 1 10% Year 2 0% Year 3-7 2%

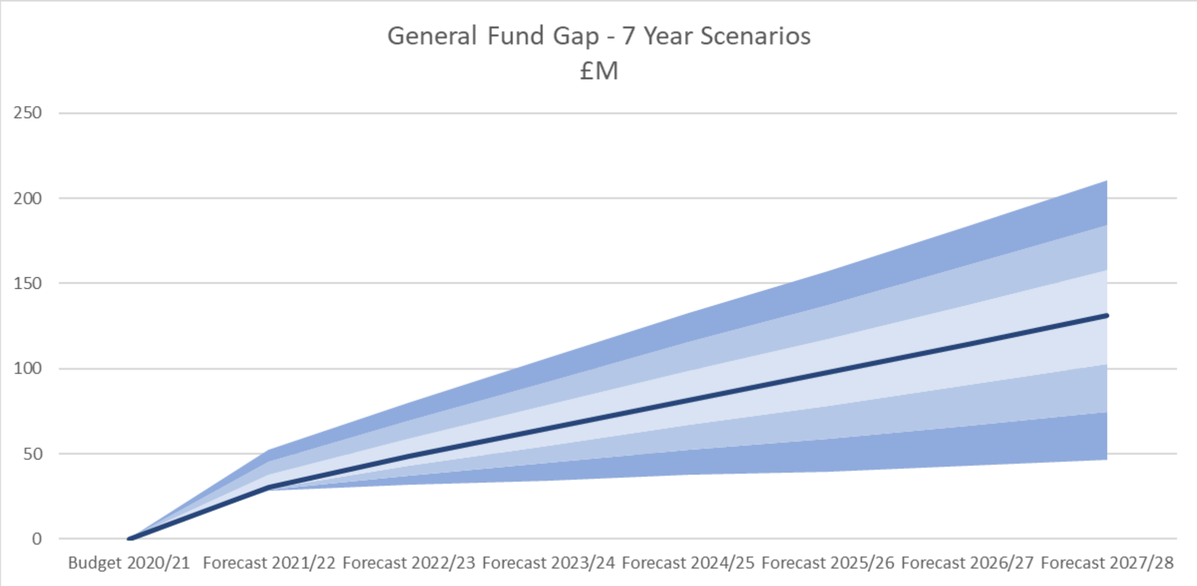
3.1.3 The impact of income and expenditure assumptions is shown in the table below

Table 8: Budget Gap Scenarios

General Fund Budget Gap	**Budget 2020/21**	**Forecast 2021/22**	**Forecast 2022/23**	**Forecast 2023/24**	**Forecast 2024/25**	**Forecast 2025/26**	**Forecast 2026/27**	**Forecast 2027/28**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Upside Scenario	0	28	32	34	38	40	43	47
Central Scenario	0	30	49	65	82	98	114	131
Downside Scenario	0	53	80	106	132	157	184	211

3.1.4 More clearly shown in graphical form, below, it shows the range of scenarios that may happen over the course of the years ahead.

Chart 11: Budget Gap Scenarios



3.1.5 The scenario plans reveal a range for 2021/22 of between £28m and £53m, with a central scenario that is towards the upside set of assumptions, this is because of a close alignment in these scenarios of income levels, and of the lack of opportunity for extra income to be generated by the council in the current climate.

4. CAPITAL FUNDING AND INVESTMENT

4.1 The Funding Outlook – Scotland, Local Government and Aberdeen City Council

4.1.1 Drawing on the funding outlook for the UK, described in Section 2, the overall expectation for capital funding being made available has the added dimension that capital investment can stimulate the economy and be a lever to support businesses, supply chain and economic growth in times of crisis.

4.1.2 The insight into what may happen is revealed when the UK Governments 2020 Comprehensive Spending Review was launched in July 2020, the intention of Government is to set out the capital budgets for the four years to 2024/25.

4.1.3 In launching the spending review, due to the unprecedented uncertainty no set spending envelope had been fixed for the Spending Review although real-terms growth for capital will apply across the four year period. Given the Covid-19 pressures known at that time, it does not necessarily mean all departmental budgets will rise in real terms.

4.1.4 What is unclear is the extent to which this then affects the Scottish block grant.

4.1.5 The Scottish Government published its Draft Infrastructure Investment Plan for Scotland 2021/22 to 2025/26[10] on 24 September 2020 and are in the process of consulting on it. Their intention is that the plan focusses on adopting and building on the recommendations of the Infrastructure Commission for Scotland's Phase 1 report. The recently published Programme for Government also commits the government to publishing the results of its capital spending review by the end of this year. Both of these plans will have a significant bearing on the council's capital investment plans.

4.1.6 Clear commentary from both UK and Scottish Governments demonstrate both funding being available and investment required within the "Green Economy". The Scottish Governments Draft Infrastructure Investment plan quotes "…demonstrates the vital role infrastructure has to play in enabling inclusive, net zero and sustainable growth". The Council must seek to harness this over the medium term and is well placed to capitalise on its position within the energy market.

4.1.7 Clear alignment within the Local Development Plan (LDP) and the future investment within the city (both by the public and private sector) are critical to providing land availability to allow future investment to take place.

4.1.8 The LDP clearly has ear-marked land for the Energy Transition zone and outline business cases are already in development to bring this aspect of the planning regime to life.

[10] Draft Infrastructure Plan 21/22 - 25/26, Scottish Government, September 2020

4.1.9 This is coupled with the already approved Strategic Investment Plan[11] approved by the Council and begins to articulate the future investment required to ensure the city is at the forefront of future energy sources as well as moving towards a net zero carbon footprint.

4.1.10 Investment in electric and hydrogen vehicles, sustainable energy sources for heating as well as Low Emission Zones will all be key to delivering a successful city of the future. All these investment strands are being brought forward at a pace to help deliver against this climate change backdrop.

4.1.11 However, a city must be able to offer a much more diverse offering to attract the investment to make it a city of choice in terms of where to live and work. While pre-Covid-19urbanisation was seen as the future in a post Covid-19 world this becomes blurred as human behaviour may well have changed forever.

4.1.12 As individuals and businesses seek to find a new "norm" the pressure on cities to redefine themselves will become ever more important. As people potentially work from home, children are educated out with a traditional school setting, on-line shopping becomes even more prevalent and other health issues begin to manifest themselves traditional capital investment by a local authority needs to be paused and re-examined.

4.1.13 Where people live and the type of housing they live in will no doubt change in the future. For example, people working from home and children being educated in a blended way means the Council will have to adapt.

4.1.14 The current house building programme approved by the Council in February 2020, presciently, set a new "Gold Standard" which would ensure space in a residential setting would provide for:

- Space to work from home;
- Energy Efficiency and tackling fuel poverty;
- Dedicated space for children to learn at home;
- Dedicated "Green Space"; and
- Encouraging fit and healthy lifestyle (cycling and walking).

4.1.15 In line with this, the vision for the city as agreed at the May 2020 Urgent Business Committee is: "We want Aberdeen to become a climate positive city at the same time, helping to lead the world on the rapid shift to a net zero future by leveraging its unique assets and capabilities to support the global energy transition".

4.1.16 In support of the vision, the Net Zero Vision prospectus recommends five co-dependent strategic objectives that will support the economic imperative to transition

[11] Net Zero Vision and Infrastructure Plan, UBC May 2020

to a different energy future beyond oil and gas anchoring talent and the energy supply chain; innovation and technology transfer; a new energy destination of choice; and leading and advocating for the city and energy sector:

i. Leading the Global Transition - Our city is a world-class destination for inward investment in alternative energy research, innovation, and commercialisation, underpinned by our credentials and track record;

ii. Accelerating Transition Demand - Our city and its institutions are an anchor of demand and aligned local investment for alternative energy technologies, infrastructure and services, particularly those relating to hydrogen, offshore wind, carbon capture, utilisation and storage, and decommissioning;

iii. Resilient, Productive and Dynamic Place - Our city is recognised the world over as the resilient, productive and dynamic place at the heart of a world-class energy transition cluster;

iv. Climate Positive Exemplar - We play our full part – as a climate positive advocate and exemplar – in meeting the headline global goal of the Paris Agreement on Climate Change by limiting average global warming to no more than 1.5oC above pre-industrial levels;

v. Putting People First - Everyone contributes to and shares in the proceeds of an equitable, sustainable and prosperous transition and future.

4.1.17 The plan aligns to the overall objective of Aberdeen meeting the net carbon zero target by 2045 and, ultimately, to achieve climate positive status, and the goals of:

- Clean energy supply for the city, UK and internationally
- Aberdeen's infrastructure is adaptable to changes in climate
- Sustainable mobility
- Building Energy Efficiency
- Sustainable Waste Management

4.1.18 Building on all of this, capital investment decisions on the future infrastructure requirements of the city will have to align to these principles.

4.1.19 The current Capital Programme for the General Fund was approved with investment of £424m in city projects over the five years to 2024/25, details of the programme are shown in Appendix 2.

4.1.20 Shaping the future, taking account of the ambition described above will be managed within the framework of the Prudential Code for Capital Finance in Local Authorities, which requires this to be prudent, affordable and sustainable.

5. RESPONSE TO THE CONSOLIDATED MEDIUM TERM OUTLOOK FOR THE GENERAL FUND

5.1 2020/21 - The Council's allocation of resources and budget is set annually within the context of a commissioning cycle which aligns available resources to a broad range of commitments which are described through:-

- Statutory duties;
- Implementation of the Council's Policy Statement;
- Commissioning intentions which support the delivery of the Local Outcome Improvement Plan and other strategic outcomes; and
- Service standards which specify the level of service to be delivered.

5.2 Adjusting the delivery of these commitments is a key lever for controlling spend and, therefore, the council conducted a review of each of these commitments at the Urgent Business Committee in June 2020, agreeing to slow, accelerate or otherwise change commitments and service levels appropriate to the context of the impact of Covid-19 on the council and the city. This was accompanied by a comprehensive review of cost savings and income sources, including the flexible use of specific grant funding, additional Scottish Government grant funding, earmarked reserves, the Common Good and capital receipts. As described at Section 1 above other levers are now available and will be explored to mitigate the continuing financial pressures in 2020/21, including the change in accounting arrangements for service concession arrangements.

5.2 2021/22 and 2022/23 - Resource allocation for future years will be derived from the council's commissioning cycle. Specifically, the services which the Council delivers will be reviewed annually with ***analysis*** of the operating environment through:

- Horizon scanning
- Scenario planning
- Strategy review
- An analysis of statutory duties
- An analysis of current and projected demand
- Performance levels achieved
- An analysis of financial data
- An analysis of contracts
- An analysis of workforce data

This analysis informs ***planning*** of future service designs which, at a detailed level, set:-

- Services to be commissioned and delivered
- Services to be changed through recommissioning
- Services to be decommissioned
- Eligibility criteria for those services
- Customer Access/ Channels/ Standards
- Income levels
- Organisation structure and workforce
- Location / Assets
- Suppliers and contracts
- Digital / Data systems
- The cost of services
- Significant risks associated with delivery of the service

5.3 Future Transformation Priorities - The Council's Transformation Portfolio has, over the last 3 years, supported the implementation of the Target Operating Model (TOM) by developing the necessary organisational capabilities. This has fundamentally changed the organisation through, amongst other things, an aligned strategy and policy framework; the joint outcome based commissioning approach; a systematic approach to identifying and managing demand; a revised Scheme of Governance to facilitate the strategic use of resources through commissioning; a new organisational structure; multiple digital achievements including increasing efficiency through online customer service and increasing our digital capability; guiding principles and behaviours co-created with staff; a capability framework and workforce plan.

5.4 Specific council services have developed new operating models in line with the overall council TOM, including children's social work and education for which we have established a three-year direction of travel to both address emerging risks and focus on long term sustainability. This approach is ensuring that on-going budget reductions are managed within a context of promoting quality and effective delivery of the Council Delivery Plan. Themes for this direction of travel are:

- Redirecting resource into primary prevention and early intervention to transform how we manage demand
- Use of digital technology to reduce headcount and improve the quality of the curriculum
- Transforming the Senior Phase to improve quality and efficiency
- Partnership integration to improve wellbeing and attainment in the first 1000 days and beyond

5.5 In addition to the Council's own transformation programmes, we have established a Multi-agency Transformation Management Group and have worked collaboratively with partner agencies on transformational activity relating to digital services; use of assets; early intervention and prevention through the management of demand; and the design of specific services, with a particular focus on children' services.

5.6 Looking forward and within the context described by this medium term financial strategy, the Transformation Portfolio has been reviewed during 2020 and refocused on the capabilities and actions to support deeper and broader service redesign which will be required to ensure financial stability in future years. The priorities for the next phase of the Transformation Portfolio will build upon our systemic redesign of services to ensure we respond to and shape future demand. Specifically, this transformation activity will focus on:-

- Taking full advantage of the opportunities which are presented through the rapid acceleration of digital technology, the availability and management of data and how this can support both planning and transactional services for our customers. The council has, and will continue to, invest in new IT systems and technologies, to increase productivity and efficiency through end to end processes, customer journey and improvements in information and technology;
- The flexibility of our workforce and the ability to respond to different demands and a different environment. We will continue to invest in the culture, training and development that will deliver a diverse and inclusive workforce for the future;
- The use of our physical assets to support transformation of our services and deliver an increased return for the Council. The council holds significant physical resources such and through the implementation of an updated Asset Strategy we will continue to work to optimise the use of our assets. We will improve the use of data to ensure we fully understand the nature and value of our assets to support informed decision making; and
- Working closely with our partners, customers and communities to deliver inclusive, whole system redesign. Building on our work to identify and reduce negative demand, it is clear that much of the demand which local authorities experience can only be effectively reduced through early intervention and prevention activity delivered jointly with our partners including, where appropriate "co-production" of local services with communities. Our partnership work will be driven through both Community Planning Aberdeen and the north east Multi-Agency Transformation Management Group.

5.7 Linked Strategies - The Strategic Commissioning Committee agreed in November, 2019, a revised Strategy Framework[12] which reframed the formal strategies of the Council to ensure their full alignment to the Local Outcome Improvement Plan and their

[12] Strategy Framework, SCC, November 2019

consistency with each other. Through the adoption of the commissioning cycle, the council's strategies have a fundamental role in the strategic allocation of resources. This MTFS is a key plan which provides context and sets principles which must be reflected within the council's strategies. The council's agreed strategies are shown at Appendix 1.

6. RESERVES AND FINANCIAL RESILIENCE

6.1 Local authorities must consider the level of reserves needed to meet estimated future expenditure when calculating the budget requirement. The Chief Officer - Finance is required, as part of the budget setting process each year, to provide a statement on the adequacy of reserves that is subject to an external audit review to assess value for money and a going concern opinion.

6.2 The Council keeps a level of reserves to protect against the risk of any uncertainties or unforeseen expenditure. This is considered best practice and demonstrates sound financial planning. Much like using savings to offset monthly household bills the use of financial reserves cannot solve a budget problem outright but allows for smoothing of impacts or allows the Council time to ride any short-term situations before returning to normal.

6.3 Therefore, reserves are mainly available to;

- ✓ Manage the impact of cuts over a longer period of time;
- ✓ Invest in schemes that allow services to be delivered cheaper;
- ✓ Take "one-off hits" for the council as a whole without the need to further reduce service budgets;
- ✓ Provide capacity to absorb any non-achievement of planned budget reductions in each year;
- ✓ To temporarily roll over unused portions of grants that can legally be used at a later date;
- ✓ To insure against major unexpected events (such as flooding);
- ✓ To guard against general risk (such as changes in contingent liabilities);
- ✓ To guard against emergent specific risks (such as Covid-19 or the Exit from the EU).

6.4 These risks are predicted to continue to increase.

Reserves Policy[13]

6.5 The council's policy on reserves is outlined within the MTFS principles as follows:

- The council will maintain its general reserve at a minimum of £12m to cover any major unforeseen expenditure. The council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the unearmarked General Fund Reserve.
- The council will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed annually.

[13] Council Reserves Policy, March 2020, Report number 5.2, Appendix 5

- The council's general reserve is available to support budget setting over the period of the MTFS and usage should be linked to the achievement of financial sustainability over the medium term.

Review of Reserves

6.6 A review of reserves is undertaken twice a year and covers:

- The purpose for which the reserve is held,
- An assessment of the appropriate level of the reserve to meet potential future liabilities, in line with the Council's reserves policy and aligned to the risk management framework,
- Procedures for the reserve's management and control,
- A process and timescale for future reviews to ensure continuing relevance and adequacy.

6.7 The Audited Accounts for 2019/20 show the balance of General Fund usable reserves of £35m (including earmarked reserves of £23m).

6.8 In support of the Financial Resilience reporting to the Urgent Business Committee in June 2020, a full review of reserves has also been carried out. Decisions were taken to release a sum of £0.1m from earmarked reserves to support the 2020/21 revenue budget. There are no further changes required at this time. An explanation of each reserve and earmarked values as at 31 March 2020 can be found in the council's audited annual accounts for 2019/20.

6.9 For financial resilience the council may need to consider use, replenishment and increase of the unearmarked General Fund Reserve over the MTFS period.

6.10 The overall level of financial resources available to the council is finite and therefore any continued use of reserves cannot be sustained in the longer term without placing the council's financial position at risk. The MTFS recognises that the council's financial reserves are maintained at a prudent level to protect present and future council services.

6.12 The council accepts that while balancing the annual budget by drawing on general reserves can be in certain circumstances a legitimate short-term option it is not considered good financial management to finance recurrent expenditure in this way. Where this approach is adopted the council will be explicit as to how such expenditure will be funded in the medium to long term to achieve financial sustainability. The council recognises that usage of reserves is one-off in nature and must be linked with expenditure and income plans to support financial sustainability in the medium term.

Financial Resilience

6.13 Financial Resilience is about our ability to anticipate, prepare for and respond to the changing financial environment in which we operate and reduce the impact of shocks. In order to be financial resilient, we need to be able to access and utilise our resources when and where they are needed, which also includes our relationships with key partners. Financial Resilience has been broken into the following areas:

- Review of the Council's Balance Sheet;
- Capital financing; investment, and borrowing;
- Build financial resilience and independence;
- Identify those that should pay by minimising fraud and avoidance.

6.14 Review of the Council's Balance Sheet - At the end of the 2019/20 the Council held a range of funds totalling £60.0m including capital grants and useable general fund reserves. Earmarked reserves are generally more visible and subject to more frequent review and redirection, as described in section 6.1.

6.15 Maintaining a strong balance sheet provides the assurance that the Council is in a position to respond in the time of crisis, it can meet its obligations and provides confidence in the Council's ability to participate with our full range of stakeholders. They include our external auditors, our bond holders, credit rating agency, contractors and suppliers, and ALEOs.

6.16 Supporting our resilience in our balance sheet includes:

- In-year financial performance to manage the budget position, including cashflow;
- An annual review of the balance sheet by our treasury advisors, with a focus on capital financing requirement, liquidity and long term borrowing;
- Regular review of usable reserves and the appropriateness of sums earmarked; and
- Regular review of provisions held.

6.17 As part of the Financial Resilience report to the Urgent Business Committee in June 2020 the Council reviewed and released General Fund earmarked reserves. Whilst reserves are not the answer to financial sustainability over time it is possible that some of the funds held could be released if programmes are complete and there is no further planned spending, or if risks have reduced.

6.18 Capital Financing, Borrowing & Investment – The Council has experienced a significant increase in levels of debt over recent years, due to financing the capital programme. This has a significant impact on our revenue budgets, as described earlier.

6.19 Factors that are particularly relevant is the scale and profile of the capital investment programme, interest rates and the timing when borrowing is required.

6.20 Our debt, as at 31 March 2020, for the General Fund is £926m and is expected to rise based on the capital financing requirement by 2022/23 reaching £1.3bn. The actual rate at which the level of debt changes depends on cash requirements and interest rates, this is actively managed through the treasury investment policy.

6.21 Accordingly the proportion of the revenue budget that repayment of debt could reach is 10% before falling in 2023/24.

6.22 The council will therefore not increase the indicative prudential borrowing commitment unnecessarily and review the approved capital programme on an annual basis. A business case approach is taken to capital investment the council will look for evidence of return on the investment, financial and non-financial, when considering best value.

6.23 The business case will include the cost of servicing the debt and anticipated pay-back period in line with the accounting policies

6.24 Capital Investment proposals to save or grow will only be supported when the cashable cost reductions (or increased income) exceed the financing costs of any borrowing needed to fund the investment within the agreed pay-back period for the asset type (to be determined).

6.25 Build Financial Resilience - We need to maintain a relationship between businesses, residents and the Council that is more resilient and self-reliant; increasing collective responsibility and encouraging and supporting local people, partner organisations, businesses and local communities to play a more active role in achieving agreed outcomes.

6.26 A stronger partnership will need to be developed with local businesses that we support so they are more engaged in the Council and the Council can learn from them.

6.29 Fraud, Avoidance and Cost Recovery - It is vital that the Council retains the maximum revenue possible to meet our financial pressures. We have robust processes for tackling fraud and avoidance and are working to further develop our anti-fraud measures and approaches.

6.30 We need to ensure that those who should pay do pay, whilst supporting those who are in genuine hardship access the help available to them. The mechanism for how we manage all forms of debt raised can be improved to provide richer information from a single lens about the debtor and the debt.

6.31 We need to optimise our income receipts by ensuring our reducing resources are appropriately targeted, maximising income without increasing the cost of recovery. Enforcement should remain the last resort.

6.32 Overall, the focus on financial resilience has escalated in recent years, in part on the back of some councils in England having received 'section 114' reports (presented by the Chief Financial Officer where expenditure is going to exceed income and place the council in financial distress). Cipfa has produced, in conjunction with public consultation and technical stakeholders, a 'Financial Resilience Index' to support local authorities in England to consider a range of measures associated with financial risk. The council should explore how those measures could be adapted to assist in strengthening of the council's financial resilience.

Appendix 1

Strategies on a Page

LOIP
- Place
- Children
- Adults
- Economy

ACC Place
- Local Development Plan
- Local Transport Strategy
- Local Housing Strategy
- Open Space Strategy
- City Centre Masterplan
- Energy and Climate Change Strategy
- Waste Strategy
- Granite City Food Growing Strategy

ACC Enabling
- Medium Term Financial Strategy
- Customer, Digital and Data Strategy
- Estates and Assets Strategy

Partnership
- Regional Economic Strategy 2015-25
- Nestrans Regional Transport Strategy 2013-35
- Cultural Strategy for Aberdeen 2018-28
- Aberdeen City and Shire Regional Skills Strategy
- Visit Aberdeen and Aberdeenshire Destination Tourism Strategy 2018-23
- Aberdeen City Alcohol and Drug Partnership Delivery Framework 2019-22
- North East Flood Risk Management Strategy
- Integrated Joint Board Strategic Plan
- Health and Social Care Partnership Carers Strategy 2018-21
- Joint Commissioning Strategy for Older People 2018-23
- Children's Services Plan

ALEO
- Aberdeen Sports Village Business Plan 2019-20
- Strategy for an Active Aberdeen 2016-26
- Sport Aberdeen – Facilities Strategy Dec 2016
- Sport Aberdeen – Play Parks Strategy
- Sport Aberdeen – Aquatics Strategy
- Aberdeen Performing Arts Business Plan 2018-19
- Aberdeen Heat and Power Business Plan – updated 2018
- Bon Accord Care and Bon Accord Support Services – 5 Year Strategic Plan 2017-22

APPENDIX 2

Outturn 2019/20 £'000	NHCP No.		Budget 2020/21 £'000	Budget 2021/22 £'000	Budget 2022/23 £'000	Budget 2023/24 £'000	Budget 2024/25 £'000	5 Year Total £'000
		Projects Due for Completion in 2019/20						
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
7,722			**0**	**0**	**0**	**0**	**0**	**0**
		Rolling Programmes						
4,727	294	Corporate Property Condition & Suitability	9,673	9,273	8,950	8,000	8,000	43,896
70	877	Northfield Swimming Pool	2,215	2,215	50	0	0	4,480
374	551	Cycling Walking Safer Streets	1,002	0	0	0	0	1,002
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
22,273			**36,259**	**32,611**	**22,163**	**20,663**	**20,863**	**132,559**

Outturn 2019/20 £'000	NHCP No.		Budget 2020/21 £'000	Budget 2021/22 £'000	Budget 2022/23 £'000	Budget 2023/24 £'000	Budget 2024/25 £'000	5 Year Total £'000
		City Region Deal						
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
3,689			**5,122**	**5,447**	**45**	**0**	**0**	**10,614**
		Fully Legally Committed Projects						
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
139,562			**66,483**	**33,727**	**443**	**0**	**0**	**100,653**

Outturn 2019/20 £'000	NHCP No.		Budget 2020/21 £'000	Budget 2021/22 £'000	Budget 2022/23 £'000	Budget 2023/24 £'000	Budget 2024/25 £'000	5 Year Total £'000
		Partially Legally Committed Projects						
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
7,858			**30,496**	**11,273**	**2,203**	**100**	**64**	**44,136**
		Projects with indicative budgets						
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
800	873	Queen Street Redevelopment (including Mortuary)	1,500	0	0	0	0	1,500
0	874	B999 Shielhill Road Junction Improvements	50	100	490	0	0	640
0	875	Investment in Digital Transformation	2,368	2,253	1,996	1,996	1,945	10,558
0	876	Campus Model for Co-location of Public Services	250	0	0	0	0	250
7,668			**47,568**	**72,767**	**10,396**	**3,396**	**1,945**	**136,072**
188,772		**Totals**	**185,928**	**155,825**	**35,250**	**24,159**	**22,872**	**424,034**

Forecast Outturn 2019/20 £'000	NHCP No.	Non-Housing Capital Programme	Budget 2020/21 £'000	Budget 2021/22 £'000	Budget 2022/23 £'000	Budget 2023/24 £'000	Budget 2024/25 £'000	5 Year Total £'000
0	294		0	0	0	0	0	0
(374)	551	Cycling Walking Safer Streets	(1,002)	0	0	0	0	(1,002)
0	587	Access from the North / 3rd Don Crossing	(2,000)	0	0	0	0	(2,000)
(1,092)	765	Nestrans Capital Works	0	0	0	0	0	0
(169)	784	Fleet Replacement Programme (including Zero Waste Strategy Fleet)	0	0	0	0	0	0
(71)	789	Planned Renewal & Replacement of Roads Infrastructure	0	0	0	0	0	0
(8,821)	799B	Art Gallery Redevelopment - Main Contract (HLF)	0	0	0	0	0	0
(393)	805	Technology Investment Requirements & Digital Strategy	(9)	0	0	0	0	(9)
(375)	807	A96 Park & Choose / Dyce Drive Link Road	0	0	0	0	0	0
0	809	New Milltimber Primary	(2,142)	0	0	0	0	(2,142)
(233)	810C	Energy from Waste (EfW) Procurement and Land Acq.	0	0	0	0	0	0
(18)	810K	Energy from Waste (EfW) Construction & Torry Heat Network	(505)	0	0	0	0	(505)
(10)	819	Tillydrone Community Hub	0	0	0	0	0	0
(3,930)	821	New Aberdeen Exhibition & Conference Centre	(28,020)	0	0	0	0	(28,020)
(467)	824	City Centre Regeneration	0	0	0	0	0	0
0	828	Greenbrae Primary Extension and Internal Works	(750)	0	0	0	0	(750)
(308)	831	Stoneywood Primary	(3,758)	0	0	0	0	(3,758)
(59)	835	Street Lighting LED Lanterns (PACE 5 Year programme)	0	0	0	0	0	0
0	836	Flood Prevention Measures: Flood Guards Grant Scheme	(80)	(80)	(80)	(146)	0	(386)
0	838	Flood Prevention Measures: Millside & Paddock Peterculter	(2,400)	0	0	0	0	(2,400)
0	841	Torry Primary School and Hub	(2,000)	0	0	0	0	(2,000)
0	844	Sustrans Active Travel Infrastructure Fund	0	0	0	0	0	0
0	848	JIVE (Hydrogen Buses Phase 2)	(5,900)	0	0	0	0	(5,900)
(5)	849	Cruyff Court	(45)	0	0	0	0	(45)
(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
(3,492)	855	Early Learning & Childcare	(15,965)	(7,040)	0	0	0	(23,005)
(1,044)	860	City Deal: Expand Fibre Network	0	0	0	0	0	0
(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)
0	865	Countesswells Primary	(2,484)	(2,500)	(2,500)	(2,500)	0	(9,984)
(1,351)	870	Town Centre Fund	0	0	0	0	0	0
(230)	871	Low Emission Zone	0	0	0	0	0	0
0	874	B999 Shielhill Road Junction Improvements	(50)	(100)	(150)	0	0	(300)
(22,974)		**1. Programme Funding Streams Sub-Total**	**(69,479)**	**(12,683)**	**(2,775)**	**(2,646)**	**0**	**(87,583)**
(27,671)		**2. Capital Grant**	**(18,654)**	**(20,500)**	**(22,500)**	**(22,500)**	**(22,500)**	**(106,654)**
(138,127)		**3. Borrowing**	**(97,795)**	**(122,642)**	**(9,975)**	**987**	**(372)**	**(229,797)**
(188,772)		**Sub-total**	**(185,928)**	**(155,825)**	**(35,250)**	**(24,159)**	**(22,872)**	**(424,034)**
0		**Net Position**	**0**	**0**	**0**	**0**	**0**	**0**