

ABERDEEN CITY COUNCIL

COMMITTEE	COUNCIL
DATE	22 February 2017
INTERIM DIRECTOR	Richard Ellis, Depute Chief Executive and Director of Corporate Governance
TITLE OF REPORT	General Fund Revenue Budget 2017/18 to 2021/22 and Non-Housing Capital Programme 2017/18 to 2021/22
REPORT NUMBER	CG/17/015
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Council with details of the Non-Housing Capital Programme 2017/18 to 2021/22 and how it impacts on the Council's balance sheet, along with a high level summary of the Council's revenue budget for the next 5 years and a detailed revenue budget for 2017/18.
- 1.2 These budgets are based on the current settlement information from the Scottish Government (Finance Circular 9/2016 version 2) and is therefore subject to change should an updated settlement position be announced.
- 1.3 This report also contains details of the Council's Long Term Financial Plan.
- 1.4 This report should be read in conjunction with the Council's strategic plan.

2. RECOMMENDATION(S)

2.1 It is recommended that Council:

- a) Notes that the presentation of this year's budget report is fundamentally different from previous years and that this reflects the change in financial reporting to Council as a result of London Stock Exchange listing. A specific requirement of this is that all expenditure figures must be shown as gross.

Balance Sheet Recommendations

- b) Notes the projected balance sheet position including the reserves as at 31st March 2017;
- c) Approves the Non-Housing Capital programme as attached at Appendix 1, and by doing so notes that the Council will be maintaining the level of debt over the next 5 years as advised to Moody's the credit rating agency;
- d) Considers the items in Paragraph 5.20 which are not currently included in the capital budget;
- e) Approves the Prudential Indicators as attached at Appendix 2 to this report, and by so doing notes that the indicators should convey confidence to the investors in the Council's Bond of our ability to repay the debt due; and
- f) Approves the recommended use of reserves for 2017/18 as attached at Appendix 3 which specifically includes a Risk Fund and non-earmarked reserves.

Revenue Budget Recommendations

Long Term and Medium Term

- g) Notes the draft financial position for 2018/19 to 2021/22 as shown in paragraph 5.35;
- h) Notes the Medium Term and Long-Term Financial Plans as shown in Appendix 4; and
- i) Approves the creation of a 'Change Fund' reserve of £8 million, as described in paragraph 5.41.

Short Term

- j) Sets a balanced revenue budget for 2017/18, by selecting service options contained in Appendix 6;
- k) Agrees to the conditions of the Local Government Finance Settlement for 2017/18 in so far as it is within its legal powers to do so (further details are given in Section 3 of this report);
- l) Approves the level of funding for 2017/18 in relation to the Integration Joint Board (IJB), and notes that it will be for the IJB itself to determine which savings options to take from Appendix 7;
- m) Approves the IJB Budget protocol proposed by the Chief Executive as shown at Appendix 8 and notes that it will also have to be approved by NHS Grampian and the IJB;
- n) Approves the setting aside of the underspend in 2016/17 for procurement of services to support the change plans set out in the strategic plan, and severance payments;
- o) Considers the items in Paragraph 5.67 which are not currently included in the revenue budget; and
- p) Instructs the Director of Education and Children's Services to provide a further report to the Education and Children's Services Committee, setting out plans for how the ring fenced monies allocated to Council under the Attainment Fund will be utilised, and provide assurance that recurring commitments are not being made. Report also to include plans for the use of the Council's allocation of additional capital and revenue funding for the expansion of early learning and childcare, once the allocation has been received from Scottish Government.

Taxation

- q) Notes the changes made to the multipliers of bands E through to H within the council tax;
- r) Instructs officers whether Council is exercising the flexibility to increase council tax under the local government finance circular; and
- s) Considers the introduction of a local Non-Domestic Rates relief scheme as discussed in Paragraph 5.54, and if a decision is taken to introduce a scheme, delegates the finalisation of the scheme to the Chief Executive, in conjunction with group leaders.

3. FINANCIAL IMPLICATIONS

- 3.1 The Scottish Government's Local Government Finance Settlement (Circular 9/2016 version 2) provides Local Authorities with details of their revenue and capital funding for 2017/18 only.
- 3.2 The revenue settlement details for the Council show a reduction in General Revenue Grant of £2.9 million from the 2017/18 figure. The value of the Non-Domestic Rates (NDR) received from the Scottish Government is also reduced by £14.66 million bringing the total reduction in funding from the Scottish Government to just over £17.5 million.
- 3.3 Further amendments to Local Government Funding were made through the Parliamentary Budget Process, which allocated the Council a further £4.5 million, so the total reduction from Scottish Government is £13 million.
- 3.4 In terms of council tax income, the changes made to the multipliers of Bands E through to H via the Council Tax (Substitution of Proportion) (Scotland) Order 2016/368 will allow for an additional income of £5.9m to be retained by Aberdeen City Council. An increase in council tax income of £1.2 million, due to additional properties coming on to the charge, has also been allowed for, along with an anticipated reduction in income from planning fees of £850k, bringing the net reduction in overall (non ring-fenced) funding to £6.8 million.
- 3.5 The Scottish Government has also provided an additional £2.725 million in ring fenced funding, for the Attainment Scotland Fund. This brings the total level of ring fenced grant funding, including that for Criminal Justice and Gaelic Education, to £6.748m. However this funding requires additional levels of spend and so does not impact on the Council's overall net budgeted position.
- 3.6 The capital grant settlement details included in the Circular allocate the Council a grant of £25.1 million, including ring fenced funding for 'Cycling, Walking & Safer Streets' of £0.316 million. An additional £1.08 million was allocated to the Council in the Parliamentary Budget process, bringing the total capital grant to £26.18 million.
- 3.7 In addition to the funding contained in the Circular it should be noted that additional funding for the expansion of early learning and childcare to 1140 hours is contained within the Education and Skills portfolio of the Scottish Government. This comprises around £30 million of revenue funding which will principally support workforce development and capacity building, and a further £30 million capital allocation to support the first phase of infrastructure investment. Scottish Government is still in dialogue with local authorities and Cosla over the distribution method for this funding.

4. OTHER IMPLICATIONS

- 4.1 This budget report is presented to Council along with the Strategic Business Plan for 2017/18, which is fully aligned to Aberdeen City's Community Planning Partnership's Local Outcome Improvement Plan (LOIP). The commitments proposed within the Strategic Business Plan have been made in the context of the Council's current and anticipated financial position. The savings options outlined within this report have been brought forward following consideration of their impact on the delivery of the Strategic Business Plan.
- 4.2 The Council is required to set its council tax levels before the 11th March in the financial year preceding that for which it is set as governed by the Local Government Finance Act 1992.
- 4.3 This means that projected expenditure needs to be matched by income. In the absence of a balanced budget the legislation requires that council tax will make up the difference. It would not be lawful for the Council to pass a motion that prevented, delayed or frustrated compliance with these obligations.
- 4.4 The Community Empowerment (Scotland) Act 2015 provides for a new power for councils to create and fund their own localised business rates relief schemes, in addition to existing national rates relief, to better reflect local needs and support communities. This is detailed further within the report. Before exercising the power to introduce a scheme, the local authority, acting as the rating authority, must have regard to its income and expenditure and the interests of persons liable to pay council tax as set by it.

5. BACKGROUND/MAIN ISSUES

Credit Rating

- 5.1 In 2016/17, Aberdeen City Council became the first local authority in Scotland to be awarded a credit rating.
- 5.2 The credit rating allowed the Council to secure funding towards the Capital programme, by issuing bonds of £370 million in value.

- 5.3 The credit rating will be required to be maintained during the term of the bond. In order to maintain the rating, the appointed credit rating agency will be required to conduct reviews at least once every twelve months.

This review will assess the Council's ability to meet its debt repayment commitments and is assessed by understanding the factors that generate and restrict the future cash flow of the Council. Officers will be required to monitor this analysis regularly and will form part of the new financial statements to committee going forward.

The Council, in obtaining its credit rating supplied the following information in relation to its underlying borrowing requirement and Council must adhere to the level advised to ensure no impact on its credit rating. Should the Council wish to deviate from this position it is essential that the credit rating agency is notified to have a reassessment of the rating. Any increase in this position would put the credit assessment at risk of being downgraded.

Represented by and Funded through:	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Underlying Financing Requirement B/F	125,316	(24,544)	111,204	59,692	32,645
Bond	(370,000)	0	0	0	0
Alternative Funding (PWLB etc)	0	0	(111,204)	(59,692)	(32,645)
Net Position Funded Annually	(244,684)	(24,544)	0	0	0

- 5.4 The Council will be expected to continue to strengthen its financial management arrangements and position as they are an important feature of the annual credit reassessment. In addition, the Council will also need to present some of its existing financial information in different ways in light of the new interest from the credit rating agency and the bond investors. This annual budget report represents the start of a different presentation and emphasis on financial information.

- 5.5 One of the key aspects of the credit rating is the Council's level of debt and ability to meet future interest payments as they fall due. The level of debt is directly linked to the Council's capital investment programme which is reflected through the Balance Sheet and future interest payments are directly linked to the revenue account. Our legal framework requires that the repayment of interest payments has the first call on the revenue income of the Council before all other expenditure.

5.6 Balance Sheet Position

The Balance Sheet shows all the Council's assets and liabilities as projected at 31st March 2017, excluding any potential revaluations of its Fixed Assets and movement thereon.

It further provides information on the level of reserves and balances held by the Council also at 31st March 2017 as currently projected.

The Balance Sheet below shows the expected increase in the Council's reserve position during 2016/17, in part due to the expected surplus situation as shown below in Appendix 4.

The significant increase in the cash position is due to funds being released via the Bond, which is also reflected in the increase in borrowings.

Balance Sheet		Forecast Balance Sheet	
31-Mar-16		31-Mar-17	Note
£000		£000	
	<i>Non-current assets</i>		
2,139,615	Property, plant and equipment (incl. WIP)	2,280,537	
172,092	Heritage assets	172,092	
85,937	Investment property	85,937	
31	Intangible assets	31	
19,061	Long-term investments	19,061	
19,577	Trade and other receivables	17,531	
2,436,313	Total non-current assets	2,575,189	1
	<i>Current assets</i>		
28,375	Cash, cash equivalents and short-term investments	354,359	
91,199	Trade and other receivables	70,626	
1,674	Inventory	1,674	
3,979	Assets held for sale	5,429	
125,227	Total current assets	432,088	2
2,561,540	Total assets	3,007,277	
	<i>Current liabilities</i>		
(87,672)	Trade and other payables	(87,646)	
(113,348)	Borrowings - general	(19,618)	
(3,870)	Provisions	(3,870)	
(2,478)	PPP liabilities	(2,611)	
(5,618)	Accumulated absences account	(5,618)	
(521)	Grant receipts in advance - revenue	(1,000)	
(2,221)	Grant receipts in advance - capital	(1,000)	
(215,728)	Total current liabilities	(121,363)	
	<i>Non-current liabilities</i>		
(223)	Trade and other payables	(223)	
(464,892)	Borrowings	(980,445)	
(1,248)	Provisions	(1,249)	
(103,584)	PPP liabilities	(113,972)	
(251,118)	Pension liabilities	(243,990)	
(821,065)	Total non-current liabilities	(1,339,879)	
(1,036,793)	Total liabilities	(1,461,242)	3
1,524,747	Net assets	1,546,035	
	<i>Reserves and Retained profit</i>		
58,856	General Fund	47,939	4
10,808	Housing Revenue Account	9,870	4
30,102	Statutory and other reserves	30,102	4
	Capital receipts reserve	-	
97	Capital grants unapplied account	97	
	Retained profits	59,616	
1,424,884	Unusable reserves	1,398,411	
1,524,747	Total reserves and retained profits	1,546,035	

Commentary on Balance Sheet

Note 1: Non-Current Assets (Non-Housing Capital Programme)

- 5.7 The total estimated value of assets at 31 March 2017 (subject to revaluation) is £2.5 billion. As such the Council must invest in these assets to ensure that they meet the Council's Strategic Infrastructure Plan and that assets are suitable for the delivery of services. Asset optimisation is a key element of the Council's transformation programme as described in the Strategic Business Plan. As well as investing in the current infrastructure estate there is also a need to acquire new assets. This is set through the Council's Non-Housing Capital Programme.
- 5.8 In determining the level of capital investment it is critically important that the Council understand that additional borrowing over and above that already approved by Council and the credit rating agency, could lead to a detrimental movement in the Council's credit rating. The Head of Finance has indicated that any such proposal should first be tested with the relevant credit rating agency prior to any firm commitment to increasing debt levels beyond those levels presented to the credit rating agency.
- 5.9 Finance Circular 9/2016 version 2 also allocates the Council's Capital Grant Funding for 2017/18. The total level of capital grant funding for 2017/18, including the additional amount allocated by the Scottish Government on 2nd February 2017, is £26.18 million. Please note that this sum includes a ring-fenced grant of £0.316 million.
- 5.10 In setting the General Fund budget it is assumed that a gross funding envelope of approximately £707 million will be provided for capital investment over the life of the 5 Year Business Plan, as shown in Appendix 1. It can be seen from the table in paragraph 5.3 that the proposed programme continues to **maintain the level of debt as previously projected** over the life of the 5 year programme.
- 5.11 The Council has a process for identifying and ranking projects, or bids, and the outcome of this is the production of the 5 year Non-Housing Capital Programme as shown in Appendix 1 of this report and is aligned to the Council's Strategic Business Plan, which is founded upon the Local Outcome Improvement Plan's strategic priorities of Prosperous People, Prosperous Place, Prosperous Economy and Enabling Technology.

Significant Developments within the 5 Year Capital Programme

- 5.12 The contract has been signed to provide a new Aberdeen Exhibition and Conference Centre, which will support and enhance Aberdeen's place culturally and in the global oil and gas industry. The site will also provide a hotel, energy centre and Anaerobic Digestive Gas to Grid plant.

- 5.13 Officers are currently reviewing the returned tender documentation for the Anaerobic Digestion Gas to Grid plant project. This includes a financial due diligence exercise on the capital, operational costs and revenue streams associated with tender returns.
- 5.14 A report on the Anaerobic Digestion Gas to Grid plant will be put forward to the 9th March 2017 Finance, Policy & Resources (FP&R) Committee outlining the updated financial model in light of the Government's recent announcement on the Renewable Heat Incentive as well as reporting the preferred bidder/s for the design and build of the anaerobic digestion plant and gas upgrader plant. In addition, officers are working with the recently appointed new operator to ensure readiness for taking control of operations on the 1st April 2017.
- 5.15 The construction of the Aberdeen Western Peripheral Route is well underway, with the opening of the first section, including the Craibstone and Dyce junctions, in Autumn 2016. The remainder of the route is expected to open in Winter 2017/18. Council's contribution to this scheme remains capped at £75m.
- 5.16 The new Lochside Academy at the South of the City will accommodate pupils from Kincorth and Torry Academies when it opens at the start of the 18/19 academic year. The state-of-the-art school will provide pupils and staff with the opportunity to enjoy learning and teaching in a modern, flexible environment, built to deliver the Curriculum for Excellence. By using modern technology the new academy will be energy efficient which will help reduce the Council's carbon footprint.
- 5.17 A report will be provided to Council on 15th March 2017 regarding the Shaping Aberdeen LLP project.
- 5.18 The regeneration of the city centre through the implementation of the City Centre Masterplan (CCMP) is proceeding. The Union Terrace Gardens proposals will be put forward to the Council meeting on 15th March 2017. Improvements to Union Street including enhanced cleaning regimes, decluttering, better signage and improved waste management are ongoing. Work on Broad Street and Provost Skene's House is about to commence and will complement the new Marischal Square development.
- 5.19 As these major projects progress this reduces the overall risk that the Council is exposed to in terms of complexity of its capital programme as well as cost. However, the above projects are largely now let (many on fixed price contracts) which further diminishes any financial exposure the Council has in relation to pricing.

Items not Included in the Capital Budget

- 5.20 Council should be mindful that there is no provision in the current Capital programme for the following item:

The Joint Initiative for Vehicle Expansion (JIVE) project, which will see the expansion of the Hydrogen Fuel Cell Bus fleet in Aberdeen. A bid was submitted to the EU for grant funding and was successful. The Council has committed a contribution of £2.5 million which is not included in the capital programme at this stage as it waits to hear whether the Scottish Government will match the Council's contribution. If successful, this project will support the expansion of the existing hydrogen fuel cell bus fleet from 10 to 20.

New Bridge over the River Dee

10 Options (plus some variants of options) were considered during the Scottish Transport Appraisal Guidance (STAG) Part 1 Appraisal Study to build a new bridge over the river Dee.

The former Enterprise, Strategic Planning and Infrastructure Committee on 13 March 2014 agreed that Options 6, 6B and 7 for the Bridge of Dee be progressed to STAG Part 2 Appraisal.

Concept 6: new upstream crossing with additional Non Motorised User (NMU) crossing adjacent to a reconfigured existing Bridge of Dee (New 4 lane bridge and retaining existing Bridge of Dee for traffic, plus new pedestrian and cycle crossing);

Concept 6B: as Concept 6, with additional link from Garthdee Road/Inchgarth Road to A93 North Deeside Road; and

Concept 7: new crossing adjacent to existing Bridge of Dee, which is reconfigured for Non Motorised User (NMU) use only (New 6 lane crossing for traffic, with existing Bridge of Dee retained for pedestrians and cyclists only).

Communities, Housing and Infrastructure Committee on 24th January 2017 agreed that the figures below should be passed to the budget process:

Scheme Costs (2016 Prices)	
Scheme	Cost Range
<u>Option 6</u>	<u>£73m - £102m</u>
<u>Option 6B</u>	<u>£84m - £113m</u>
<u>Option 7</u>	<u>£84m - £105m</u>

Note 2: Current Assets

5.21 Liquidity Policy

The Balance Sheet, through its current assets (as well as certain liabilities and reserves) provides an indication of the overall liquidity position of the Council. What this shows is that the Council has a strong level of cash reserves. The governance of the Council's liquidity position is through the Council's Treasury Management Strategy which states that the Council's investment priorities are as follows:

- (a) the security of capital and
- (b) the liquidity of its investments.

5.22 Liquidity of its investments is a key priority of the Council. To ensure good availability of liquidity for cash flow purposes, no more than 50% of the Council's available investments should be placed in longer-term, fixed rate investments. The remainder will be kept in highly liquid investments and invested on a short-term basis, using either Bank deposits or "Aaa"/"AAA" rated Money Market Funds.

5.23 Any change in the level of liquidity held will require approval from the Head of Finance and will be reported at the next Committee meeting.

5.24 The level of liquidity required at any given time will be based on several factors, including :-

- (a) the Council's cash flow requirements over the months ahead. This would include any known payments to third parties, loan repayments etc.
- (b) the level of surplus funds administered on behalf of other bodies such as the Pension Fund, ALEO's and Trusts, as these funds may be called back at any time by the bodies.
- (c) any payment with regards to capital projects which may require financing at short notice.

Note 3: Liabilities

5.25 The increase in the PPP liabilities reflects the construction of the AWPR project as some elements are now operational. The project is due to complete in Autumn 2017 when liabilities will further increase. The liability for this project is wholly met through specific government grant.

The other major movement in this category of the Balance Sheet is in relation to Borrowings (General) which represents, among other things, short term borrowings. As the Council has issued a Bond this is reflected in the Borrowings line.

Note 4: Reserves and Retained Profit

- 5.26 It is vital in setting its budget that the Council has a clear reserves policy. Over the current life of the medium term financial plan this strategy was to de-risk the Council through the balance sheet and provide cash backed earmarked reserves for any known potential future liabilities.
- 5.27 Reserves can effectively be broken down into 4 categories and these are listed below:
1. Unusable reserves – These are reserves that effectively are not “real” reserves in the sense that they can be utilised by the Council. Such reserves are accounting adjustments to reflect statutory provisions to avoid costs being charged to the Council in meeting the reporting requirements as defined within International Financial reporting standards;
 2. Non-earmarked reserves – This sum is just over £11 million and is to be utilised in the event of major unforeseen incidents or emergencies. It would be the advice of the Head of Finance that this sum should not be used and should continue to remain to ensure that the Council has a prudent financial position for 2017/18;
 3. Statutory Reserves – These are reserves that the Council is allowed to hold for specific purposes. The two main funds are the Capital Fund (which can be used for repayment of principal and capital expenditure) and an Insurance Fund (which is used to mitigate the risks of insurance related payments which may arise from claims). Currently the Capital Fund is fully earmarked to finance the capital programme over the next 5 years. Any use of this fund would require additional revenue savings to be found or existing projects to be removed from the programme.
 4. Earmarked Reserves – These are funds that are set aside at the end of the financial year as the Council has identified that it has ongoing financial commitments between financial years, a known liability has been entered into and will require to be settled in a future financial year or a sum has been set aside to de-risk the future financial exposure of the Council without having to make in-year savings to meet the liability.
- 5.28 In essence it can be seen, should the Council accept the professional advice above, that items 1, 2 and 3 above cannot be utilised.
- 5.29 In terms of continuing to strengthen the Council’s balance sheet, to provide liquidity and to mitigate, where possible, against any future liabilities, it is also recommended that item 4 above should not be utilised as a means of balancing the budget.
- 5.30 Overall, the Council has maintained the position of the Balance Sheet for uncommitted reserves to ensure that there is medium term financial stability within the Council.

5.31 The risk fund of £8.4 million remains, such that in being prudent, identified cost pressures could be set against the risk fund which Services will work on mitigating against in-year.

The table below shows the movement of reserves over the year:

	Balance at 1 April 2016	Balance at 31/1/17	Projected Balance at 31/03/17
Statutory Funds	£000	£000	£000
Capital Fund	27,952	27,952	27,952
Insurance Fund	1,802	1,802	1,802
City Improvement Fund	343	343	343
Lord Byron Fund	5	5	5
TOTAL	30,102	30,102	30,102
Ring Fenced Funds			
Energy Efficiency Fund	1,224	1,167	622
Bus Lane Enforcement	1,290	387	0
Second/Long Term Empty Homes	6,898	6,898	4,899
Private Sector Housing Grant	1,065	1,048	1,065
De-Risk the Council	2,872	2,872	2,872
Welfare Reform	2,000	2,000	2,000
Financial Risk Fund	8,378	8,378	8,378
Scottish Welfare Fund	35	0	0
Investment Strategy (Digital Strategy)	1,350	1,062	550
Investment Strategy	9,931	9,931	9,931
TOTAL	35,043	33,743	30,317
Earmarked by Service			
Communities, Housing & Infrastructure	2,969	2,418	1,306
Corporate Governance	650	396	234
Education & Childrens Services	8,761	8,428	4,791
Adult Social Services	284	57	0
Corporate	0	0	0
TOTAL	12,664	11,298	6,331
Uncommitted General Fund Balance	11,291	11,291	11,291
GRAND TOTAL	89,100	86,434	78,041

Long Term Financial Planning

- 5.32 The Balance Sheet above at 5.6 is the Council's first attempt to project in year the Balance Sheet to 31 March 2017 and represents a major task for finance staff in identifying and projecting forward the likely future financial position. This is done so ahead of any budget decisions which may be made as a consequence of this report.
- 5.33 In determining the long term financial affordability of capital investment decisions it is important that such decisions are affordable over the long term. Appendix 4 shows a 35 year projection of the Balance Sheet that shows the increased value of assets held.
- 5.34 The affordability of this investment is then linked directly to the interest payable (Financing Expenses) shown in the Income and Expenditure projections in Appendix 4. Over the life of the Bond, along with other debt instruments, the affordability is demonstrated by way of the "Retained Profit" or surplus before principal debt repayments.

5 Year Revenue Position 2017/18 to 2021/22

5.35 The Council has made high level assumptions for forecasting the 2017/18 position into both a long term financial assessment and a medium term financial strategy. The medium term (5 year) strategy is outlined below:

General Fund Revenue Budget 5 Year Position - Gross Figures						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Service	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Governance	89,158	89,788	90,180	90,571	90,963	91,355
Adult Social Care (Integrated Joint Board)	128,257	125,270	129,242	133,227	137,225	141,228
Education and Children's Services	229,592	233,876	238,688	241,512	243,831	246,656
Communities Housing and Infrastructure	164,670	165,977	167,812	170,505	172,264	173,516
Office of Chief Executive	5,309	5,622	5,315	5,383	5,424	5,482
Council Expenses	2,256	2,256	2,256	2,256	2,256	2,256
Miscellaneous Services	32,300	39,179	43,229	47,320	50,237	53,183
Joint Boards	1,645	1,645	1,645	1,645	1,645	1,645
NEW - Ring Fenced Grants		2,725	2,725	2,725	2,725	2,725
	653,187	666,339	681,091	695,145	706,571	718,046
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Income	(205,669)	(204,722)	(207,997)	(211,325)	(214,706)	(218,142)
General Revenue Grant	(115,372)	(112,409)	(109,037)	(105,766)	(102,593)	(99,515)
Non Domestic Rates	(215,586)	(200,921)	(194,893)	(189,047)	(183,375)	(177,874)
Council Tax	(106,234)	(107,434)	(109,153)	(110,899)	(112,674)	(114,477)
Additional Funding Allocated 2/2/17		(4,532)	(4,532)	(4,532)	(4,532)	(4,532)
Trading Services Surplus	(10,325)	(10,441)	(9,460)	(9,239)	(9,018)	(8,797)
NEW - Ring Fenced Grants		(2,725)	(2,725)	(2,725)	(2,725)	(2,725)
NEW Council Tax reform Income		(5,911)	(5,911)	(5,911)	(5,911)	(5,911)
Funding	(653,187)	(649,095)	(643,708)	(639,444)	(635,534)	(631,972)
Deficit	0	17,244	37,383	55,701	71,037	86,074
Service Options Identified		(31,899)	(40,363)	(46,100)	(49,285)	(52,520)
Revised (Surplus)/Deficit		(14,655)	(2,980)	9,601	21,752	33,554

The following assumptions have been made in the deficit figures shown above:

- A 1% Pay Award annually for all staff earning over £22,000 together with an increase of £400 for all staff earning less than £22,000 (full time equivalent);
- Fees and Charges to be increased by inflation from 18/19 onwards; and
- Council tax income levels will increase by inflation from 18/19 onwards.

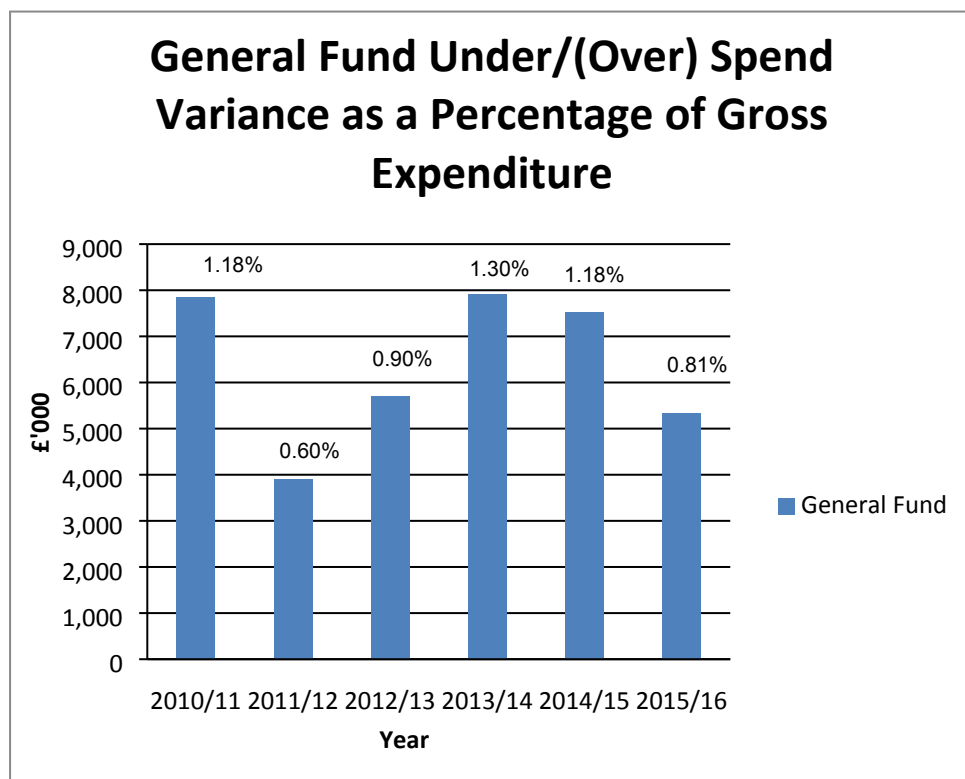
5.36 Appendix 4 contains information projecting this detail into a 35 year plan and includes the Housing Revenue Account (HRA). The Council does not distinguish its debt instruments between HRA and General Fund, for example the recent Bond will fund both the HRA and the General Fund.

5.37 Savings proposals for 2017/18 are attached in Appendix 6. These proposals will have impact across the 5 year period and the entirety of this impact requires to be considered.

- 5.38 The Council's change journey has already begun, with many services adapting to meet either legislative or regulatory change, or increasing customer demand.
- 5.39 The strategic plan contains details of how the Council plan to expand its change programme further, in order to ensure the financial sustainability of the Council going forward.

One Year Revenue Budgeted Position – 2017/18

- 5.40 In looking at the position for the next financial year it is useful to put into context the financial estimates for the current financial year. More detail can be found in the report which was presented to the FP&R Committee on 1st December 2016.
- 5.41 This report outlines that the Council continues to operate with a small underspend for the year which will increase the level of reserves the Council will have. This, combined with the year-end review of reserves, will allow the creation of a new reserve called 'Change Fund' which will provide funding for the service option of VS/ER as well as supporting the change programme, details of which are in the strategic plan.
- 5.42 The programme will require external support as well as additional capacity to ensure the delivery of the programme. This new reserve will therefore be utilised for a number of areas such as short term staffing support, external support from third parties, procurement costs, IT costs and any voluntary severance payments. The fund will be £8 million, consisting of £7 million for severance payments and £1 million for the cost of change.



Income

- 5.43 The Council receives its income through 4 methods. Firstly, council tax income is raised locally. Secondly, income is raised through Non-Domestic Rates (NDR) which forms part of the overall government funding distribution mechanism. Thirdly, the Council receives a General Revenue Grant (GRG) from the Scottish Government, which includes an allocation for ring-fenced funding. Finally, fees and charges are raised locally (through car parking charges, investment income and charges for services provided).
- 5.44 The value received from the Scottish Government for both Non-Domestic Rates and the General Revenue Grant are contained in Circular 9/2016 version 2, which was issued to Local Authorities in December 2016. This provides details of a one year funding settlement position only. The Scottish Government further announced on 2nd February 2017 an allocation of an additional £130 million revenue available to local authorities.
- 5.45 In addition, the Scottish Parliament passed legislation that amends, from April 2017, the way Council Tax on properties in Bands E, F, G and H is calculated. The tax for these properties will now be a higher percentage of the Band D rate than previously. Each council will retain their share of additional income generated from this.
- 5.46 Scottish Government has not yet informed Local Authorities of the 17/18 distribution of Discretionary Housing Payments, so this information is not contained within this report.
- 5.47 Assumptions made around the income figures include the following:
- Council tax non-collection rates are maintained at 2016/17 levels; and
 - The number of Band D equivalent properties has been increasing in recent years and is reflected in the increase in projected income of £1.2 million. Therefore, the budgeted income for 2017/18 has been aligned to reflect an additional 1,000 Band D equivalent properties, in line with the local development plan.

5.48 The income movement between 16/17 and 17/18 can be shown below:

	2016/17	2017/18	Movement	
	£'000	£'000	£'000	Note
Fees, Charges & Other Income	(205,669)	(204,722)	947	1
General Revenue Grant	(115,372)	(112,409)	2,963	2
Non Domestic Rates	(215,586)	(200,921)	14,665	3
Council Tax	(106,234)	(107,434)	(1,200)	4
Additional Funding Allocated 2/2/17		(4,532)	(4,532)	5
Trading Services Surplus	(10,325)	(10,441)	(116)	6
NEW - Ring Fenced Grants		(2,725)	(2,725)	7
NEW Council Tax reform Income		(5,911)	(5,911)	8
Funding	(653,187)	(649,095)	4,092	

5.49 The above figures show the following movements:

Note 1: A reduction in proposed planning fee income of £850k, plus a reduction in legal fee income of £90k due to the end of the right-to-buy scheme

Note 2: A reduction in General Revenue Grant from Scottish Government of £2.9 million

Note 3: A reduction in Non-Domestic Rate Income from Scottish Government of £14.66 million

Note 4: An expected increase in the Council Tax base of £1.2 million

Note 5: Additional allocation from Scottish Government as announced in their budget on 2nd February

Note 6: A small increase in the surplus from the Trading Services

Note 7: New Ring Fenced Grant Funding for the Attainment Fund of £2.725 million

Note 8: Increase in Council Tax Income due to Council Tax Reform

5.50 The total of these amounts mean a reduction in income for 2017/18 as compared with 2016/17 of £4 million.

5.51 As mentioned in paragraph 3.7 above, the allocation of £30 million capital and £30 million revenue support for the expansion or early learning and childcare is still under discussion between local authorities and Scottish Government, so no allocation has yet been made to the Council. Scottish Government plans to allocate all of the capital funding and £21 million of the revenue funding to local authorities in 2017-18, and proportionate monitoring and reporting requirements will be applied to this funding.

Taxation Powers

Council Tax

- 5.52 Scottish Government has introduced legislation which increases council tax levels in the top 4 bands, E to H. This is shown below and will raise an estimated £5.9 million which can be retained locally by the Council:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Current Charge	820.26	956.97	1,093.68	1,230.39	1,503.81	1,777.23	2,050.65	2,460.78
Revised Charge	820.26	956.97	1,093.68	1,230.39	1,616.60	1,999.38	2,409.51	3,014.46

- 5.53 Scottish Government has also allowed for Local Authorities to increase their council tax levels by up to 3%. Were Aberdeen City Council to do this, the figures below reflect the new charges:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Current Charge	820.26	956.97	1,093.68	1,230.39	1,503.81	1,777.23	2,050.65	2,460.78
Revised Charge with Multiplier and 3% Increase	844.87	985.68	1,126.49	1,267.30	1,665.09	2,059.37	2,481.80	3,104.89

Non-Domestic Rates

- 5.54 The Community Empowerment (Scotland) Act introduced in July 2015 provides for a new power for councils to create and fund their own localised business rates relief schemes, in addition to existing national rates relief, to better reflect local needs and support communities. Before exercising the power to introduce a scheme, the Local Authority must have regard to its income and expenditure and the interests of people liable to pay council tax by it. The cost of providing such a scheme would require to be met by the council tax payer.
- 5.55 The Grampian Joint Assessor Board has undertaken a rating revaluation exercise that takes effect from 1st April 2017. The initial data which the Council has received shows that the total revaluation roll will increase from £480 million to approximately £580 million.
- 5.56 This revaluation exercise will have an impact on local businesses within Aberdeen and given the current local downturn in the economy many businesses have expressed concern on the impact to their financial position.
- 5.57 Many different sectors have been impacted but some of the main ones (i.e. the ones facing the largest increase) include restaurants, public houses, depots, offices, hotels, factories and heliports. The Council itself has also been affected by the revaluation and the cost to the Council has been included as a cost pressure as set out in Appendix 5.

- 5.58 However, conversely the poundage rate has been reduced from 48.4p to 46.6p which will help mitigate a very small part of the increase. The Large Business Supplement threshold has also been increased to £51,000 while the Small Business Bonus Scheme threshold for 100% relief is proposed to rise to £15,000 with further tapered relief for rateable values up to £35,000.
- 5.59 Given the significant increase in the rateable values while the economy locally is experiencing a down turn the Council, under the Community Empowerment (Scotland) Act 2015 could choose to offer a scheme that mitigates, in part, this increase.
- 5.60 At the Urgent Business Committee on 31st January 2017, the Chief Executive was instructed to bring forward options for a local relief scheme. These options are set out in Appendix 9, and Council is asked to consider whether it wishes to introduce a scheme. The cost of such a scheme has not been included in the cost of services shown in the table in paragraph 5.61, given the late instruction to the Chief Executive.

Expenditure

- 5.61 The movement in expenditure for 2017/18 can be shown below:

	2016/17	2017/18	Movement
Service	£'000	£'000	£'000
Corporate Governance	89,158	89,788	630
Adult Social Care (Integrated Joint Board)	128,257	125,270	(2,987)
Education and Children's Services	229,592	233,876	4,283
Communities Housing and Infrastructure	164,670	165,977	1,307
Office of Chief Executive	5,309	5,622	314
Council Expenses	2,256	2,256	0
Miscellaneous Services	32,300	39,179	6,879
Joint Boards	1,645	1,645	0
NEW - Ring Fenced Grants		2,725	2,725
	653,187	666,339	13,152

- 5.62 Some of the main areas of movement are as follows:

	£000
Staff Increments	2,728
Pay Award	3,418 (see below)
Rating Revaluation	1,763
Out of Authority Placements	3,012
Apprenticeship Levy	910

Further details are shown in Appendix 5.

A 1% Pay Award has been assumed for all staff earning over £22,000 together with an increase of £400 for all staff earning less than £22,000 (full time equivalent). This is in line with the Scottish Government's Public Sector Pay Policy. Negotiations are ongoing between Trade Unions and Cosla on the 17/18 pay award for Local Government.

5.63 The Scottish Government's Circular 9/2016 version 2 also states the following:

- An additional £107 million will be transferred from NHS Boards to Integration Authorities. £100 million of this will support the continued delivery of the living wage, sleepovers and sustainability in the care sector, and £7 million is allowed for the disregarding of war pensions from financial assessments for social care and pre-implementation work in respect of new carer's legislation. This is in addition to the £250 million transferred in the 16/17 budget. This allows local authorities to reduce their allocation to the integration authority to £80 million below 2016/17 levels. The impact of this for Aberdeen City Council is a reduction in the level of the payment to the Integration Joint Board from 2017/18 of £3.09 million;
- The Attainment Scotland Fund has been established which will be paid as a ring fenced grant and distributed on the basis of P1-S3 pupils known to be eligible for free school meals. The condition of this funding is that it is additional rather than substitutional and is to be used at the discretion of schools to close the attainment gap between children from the least and most deprived areas within their communities. Subject to Scottish Government confirmation, this may be paid as a specific grant;
- Councils are required to maintain the pupil teacher ratio at 16/17 levels, which for Aberdeen City Council is 14.0, and a guarantee of a place for all probationers who require one; and
- Councils now have the flexibility to increase council tax by up to a maximum of 3%.

5.64 In preparing an initial draft budget position for 2017/18, the Council's Corporate Management Team (CMT) began with an analysis of the 2016/17 budgetary position. This review analysed and remodelled the cost pressures which had already been identified for 2017/18, such as contractual obligations and staffing costs. The process also identified new growth which would be required during 2017/18, such as the new Apprenticeship Levy, which represents a charge of 0.5% of the Council's wage bill. The results of this in-depth review, including the deductions which can be made to the Integrated Joint Board as mentioned above, show an increase in costs for 2017/18 of £13.15 million and are shown in Appendix 5.

5.65 Combining this movement with the reduction in funding mentioned above in paragraph 5.50, it can be seen that the identified position for 2017/18 is a shortfall, or deficit, in the budget of £17.24 million.

5.66 Appendix 6 contains details of options which have been prepared by officers to mitigate these cost pressures. A total of £32 million of options have been identified.

Items not included in the revenue budget

- 5.67 Council should be mindful that the following items are not included in the 2017/18 figures:

Transition Extreme: A request for £250,000 has been received for additional funding

Parking Charges: The impact of the Committee decision not to convert three free car parks into charged-for spaces has not been reflected in the figures. The cost of this is £105,000 per annum.

Common Good: the following items, currently funded by the Common Good, have been highlighted as not being in line with the ethos and principles of the Fund and therefore have been removed from the Common Good budget. If they are to continue to be provided, then they will be a cost pressure on the General Fund:

	£000
Official Catering	17
Bulawayo Trust	45
Gomel Trust	22
Mary Garden Prize	2
Events Team	50
	136

Family Support Centre at HMP Grampian: The Family Support Centre is an important service in enabling prisoners to maintain contact with their families. Evidence has shown that people in custody who have positive contact with their families while in custody are less likely to reoffend. A report will be made to Finance, Policy and Resources committee on 9th March 2017 seeking approval for a service level agreement in respect of the centre. A commitment has been made that the Council would provide £32,000 per annum to support this.

Group Accounts & Subsidiaries

5.68 The Council is the parent for a group of subsidiaries. The most significant of these are:

Bon Accord Care
Aberdeen Sports Village
Sport Aberdeen
Aberdeen Exhibition and Conference Centre.

The preparation of the Group Balance Sheet highlights that controls are in place to ensure that the Council has no exposure to long term liabilities from these bodies.

5.69 For the organisations mentioned above, whilst the subsidiary takes on responsibility for service delivery, the Council remains responsible for ensuring that they use the public funds the Council provides to them properly and can demonstrate best value. In other words, the Council remains accountable for the funds used to deliver public services, regardless of the means by which the service is delivered. In each case, the subsidiary has entered into a Service Level Agreement with the Council to deliver services.

5.70 To monitor these subsidiaries, the Council has established a governance hub which receives assurance from them on the strength (both effectiveness and adequacy) of their systems of risk management (governance) and on their operational performance, which is dependent on strong and effective governance arrangements. This in turn provides an assurance to members of the Audit, Risk and Scrutiny Committee as well as to members of the relevant service committee.

5.71 The credit rating agency was particularly interested in the contingent liability of bodies within the council's group structure and the ability of the arm's length bodies to impact on the underlying borrowing requirement of the Council.

- 5.72 Although Bon Accord Care is part of the Aberdeen City Council's group accounts, it is funded by the Integration Joint Board which is required to indicate the value of the services to be provided through the contract.

The table below represents the initial funding levels for 17/18, prior to any service options elected members may wish to approve from Appendix 6.

	Level of Funding 2016/17	Initial Funding 2017/18	Length in Operation
AECC	£0.97m	£0.97m	31 years
Aberdeen Sports Village	£1.14m	£1.14m	8 ½ years
Bon Accord Care (note: this includes a transfer to Children's Social Work of £116k)	£26.1m	£26.3m	4 ½ years
Sport Aberdeen	£5.4m	£5.4m	7½ years
Integration Joint Board (Gross Budget) (note: this includes the removal of £3.090 million as indicated in the grant settlement. The budget also includes Bon Accord Care funding reported above)	£128.257m	£125.27m	1 year

Integration Joint Board

- 5.73 As part of the Council's budget setting process, the sums to be transferred to the Aberdeen City Integration Joint Board (IJB) now have to be identified.
- 5.74 The legislation that underpins Adult Health and Social Care Integration, The Public Bodies (Joint Working) (Scotland) Act, came into force in April 2014. The Aberdeen City IJB was legally established on 6 February 2016. The IJB is responsible for the strategic planning of the functions delegated to it by Aberdeen City Council and NHS Grampian. The IJB approved its Strategic Plan for 2016-19 on 29 March 2016.
- 5.75 The legislation sets out those services from both a Local Authority and NHS Board that **must** be delegated and those services that **may** be delegated. The scope of Aberdeen City Council Adult Social Care Services and budget that are delegated are:
- Social work services for adults and older people, including commissioning budgets that fund both Bon Accord Care and external third and Independent sector provision;
 - Criminal Justice Services remains under the line management of the Head of Joint Operations and within the remit of the IJB, but with a "ring-fenced" budget; and
 - Housing Aids and Adaptations with a ring-fenced budget.
- 5.76 The IJB receives its funding from NHS Grampian and Aberdeen City Council. It has a combined budget of approximately £280 million for 2016/17. It has been operational for almost one full financial year and its financial position has remained relatively stable during this period.
- 5.77 The IJB have been working on their financial strategy over the last few months and a budget report was discussed by the IJB on 31 January 2017, which sought to balance the IJB budget based on provisional funding figures from the Council and NHS Grampian. The IJB were not minded to agree the budget until the final funding levels were confirmed by the Council and NHS Grampian. A special meeting is to be held of the IJB to discuss the budget on 7th March 2017. The value of the Council's net budget to be transferred to the IJB can remain at 16/17 levels, per Finance Circular 9/2016, at approximately £86 million (net), minus a reduction of £3.09 million, which will allow for a net budget transfer of £83 million from the Council. Details of the cost pressures and savings discussed by the IJB on the 31 January, which specifically impact on Social Care, are contained in Appendix 7. The IJB will itself be the decision maker on which saving options it selects from Appendix 7 and these are simply being included in the Council's report for transparency.

- 5.78 The tripartite budget process between the Council, NHS Grampian and the IJB has this year been based on a protocol agreed by the Chief Executive of Aberdeen City Council with senior officers from NHS Grampian and Aberdeen City Health & Social Care Partnership, and can be seen below in full at Appendix 8. The protocol provides guidance on how officers from the IJB, Council and NHS Grampian will work together during the preparation of their three respective budgets. The protocol indicates that the IJB will agree its budget based on provisional funding levels and then the decision on the actual level of funding will be made at this meeting in terms of Social Care, and the NHS Grampian Board in relation to delegated health functions. A further report will be brought back to the IJB confirming the final funding levels and the IJB will then decide on any changes required to its provisional budget.

6. IMPACT

In developing the options brought forward here the CMT has given consideration to the priorities identified with the Strategic Business Plan 2017/18, which is fully aligned to the LOIP. CMT has also borne in mind wherever possible that a balance must be struck between the impact each proposal has on our customer and our staff as well as on the Council's use of resources. As a result, options presented in the Appendices attempt to show the impact across the three dimensions.

For all options outlined, an Equality and Human Rights Impact Assessment Form has been completed. The potential impact of any of the options on the groups with protected characteristics has been taken into account in developing the budget proposals.

PEOPLE - CHILDREN - The focus has been on achieving greater efficiency of spending and the 2017/18 budget will focus on closing the poverty, education and health gap for children and young people by providing integrated support. Further investment has been made in increasing the number of teacher posts by 21 FTE, reflecting the increased growth in pupil rolls, particularly in the primary sector.

Through the revenue budget, the Council will continue to distribute £135 million to Head Teachers to invest in delivering the curriculum and preparing the 22,625 school aged children and young people to maximise their potential as adults. In supporting young people from areas of regeneration, the Council has allocated budget for 110 FTE teaching staff.

The capital budget presented to Council will ensure the delivery of the new Lochside Academy, the new Stoneywood School, a new primary school with early education and childcare facilities incorporated within a community hub in Torry and a new primary school with early education and childcare facilities in Tillydrone.

The new Centre of Excellence will be operational from August 2017 to support up to 120 children and young people with complex additional support needs, aged from 3 to 18. This establishment will assist the Council to fully deliver the Inclusion Review as it will facilitate out-reach support for children and young people who attend their local mainstream schools.

The budget for 2017/18 will address the cost of having to provide out of authority placements while Children's Social Work will continue to roll out the Reclaiming Social Work processes to provide a greater level of localised support to young people and their families. The roll out of the residential review is supported by the capital investment of £1.5 million in the purchase and refurbishment of the Kingsfield home which will provide state of the art accommodation for young people in the care of the Authority.

PEOPLE - ADULTS - The focus of budget setting for 2017/18 has been on balancing the need to make substantial savings from the budgets delegated to the IJB with the requirement to deliver statutory services to some of our most vulnerable citizens and those in need of care and support. There may be an impact on the support some people receive as a result of these budget savings, however it is anticipated that the savings will balance any reduction in service delivery, or waits for care, with a rigorous risk assessment process that ensures a fair use of resources and which prioritises those most at risk.

The challenge of balancing this single health and care budget and delivering savings of this scale is being done at a time of significant change for the IJB and Health and Social Care Partnership as it is also tasked with delivering a wide ranging transformation programme which impacts every element of the services it provides. The transformation programme seeks to develop sustainable health and care services for the future with an integrated health and care workforce and increasing delivery of services in our communities. There is an inevitable impact on the ability to do this at the pace required if the investment in the change programme is impacted by further budget reductions.

PLACE – The approach followed was motivated by recognition of the need to ensure service efficiencies were balanced with opportunities for targeted income. This approach will optimise service delivery whilst minimising the impact on front line service delivery.

The overall focus for service delivery over the coming year will be to deliver services to house those in need, protect residents and visitors, maintain and enhance the transport network and public realm, whilst providing essential collection services to households and businesses alike. This is set against a need and desire to manage the council's assets responsibly and support, facilitate and expedite investment in homes and the economy.

ECONOMY – The budget recognises the role of the Council in delivering specific projects that will deliver economic impacts in their own right; and the Council’s corporate role in delivering wider ‘business facing’ activity in supporting the competitiveness of the business environment.

The economy is exposed to external issues such as Brexit, globalisation and higher prices, as well as macro-economic issues relating to energy prices that will have a proportionately higher direct impact on the local economy than elsewhere in Scotland and the United Kingdom.

Supporting the regional economic strategy in the year ahead, priorities for the Council which are reflected in the budget will include:

- Supporting the implementation of the Aberdeen City Region Deal projects;
- Delivery of the Strategic Infrastructure Plan;
- Supporting the implementation of the City Centre Masterplan;
- Implementation of the transition of the new operator of the AECC;
- Implementation of new venue construction;
- Delivery of support to business, including Business Gateway and Scottish Local Authorities Loan Funding;
- Employability support; and
- Tourism support in delivery of VisitAberdeenshire, and supporting events’ delivery.

7. MANAGEMENT OF RISK

- 7.1 Every organisation has to manage the risks inherent in the operation of large and complex budgets. These risks are minimised by the regular review of financial information by services and corporately by elected members. This report is part of that framework.
- 7.2 Other risks the Council should be aware of in setting the budget include the non-delivery of savings options that are approved. To mitigate this risk each option has been risk assessed in terms of deliverability (and the options are listed by category). A specific report will also be taken to the CMT and the relevant committees to monitor delivery of these options during the year. A risk fund continues to be available to offer potential mitigation in-year should this be needed.
- 7.3 The other major risk is the delivery of the capital programme whereby insufficient capacity, capability and governance may lead to projects being delayed which in turn makes the determination of the underlying borrowing requirement difficult to determine. To mitigate this risk each project is being independently assessed as part of a “Round Table” exercise to review each of these elements.

8. BACKGROUND PAPERS

Scottish Government Finance Circulars
Scotland's Spending Plans and Draft Budget 2017/18
Audit Scotland 'Major capital investment in councils'.
CIPFA 'The Prudential Code for Capital Finance in Local Authorities'

9. REPORT AUTHOR DETAILS

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Appendix 1								
Non-Housing Capital Programme								
Forecast			Budget	Budget	Budget	Budget	Budget	Total
Outturn			2017/18	2018/19	2019/20	2020/21	2021/22	
2016/17								
£'000	NHCP No.	Enabling Technology	£'000	£'000	£'000	£'000	£'000	£'000
445	795	Accelerate Aberdeen (City Broadband)	360	0	0	0	0	360
2,210	804	Data Centre Transition & Infrastructure Transformation	8	0	0	0	0	8
607	805	Technology Investment Requirements & Digital Strategy	1,350	1,050	695	855	0	3,950
0	847	City Deal: Digital Infrastructure	1,750	1,750		0	0	3,500
3,262			3,468	2,800	695	855	0	7,818
Forecast								
Outturn			Budget	Budget	Budget	Budget	Budget	Total
2016/17			2017/18	2018/19	2019/20	2020/21	2021/22	
£'000	NHCP No.	Prosperous Economy	£'000	£'000	£'000	£'000	£'000	£'000
251	551	Cycling Walking Safer Streets	316	0	0	0	0	316
5,225	587	Access from the North / 3rd Don Crossing	2,500	0	0	0	0	2,500
10,345	627	Aberdeen Western Peripheral Route	12,560	8,315	2,405	825	2,605	26,710
1,000	765G	Nestrans Capital Grant	1,595	1,580	1,500	1,295	1,295	7,265
5,969	789	Planned Renewal & Replacement of Roads Infrastructure	5,288	4,968	4,968	4,968	4,968	25,160
1,000	791	Strategic Land Acquisition	750	2,125	2,775	0	0	5,650
956	799A	Art Gallery Redevelopment - Museums Collection Centre	23	0	0	0	0	23
20,170	799B	Art Gallery Redevelopment - Main Contract (HLF)	3,890	508	0	0	0	4,398
1,621	824	City Centre Regeneration	11,417	13,326	2,236	0	0	26,979
50	806A	CATI - South College Street	410	4,840	170	0	0	5,420
1,446	806B	CATI - Berryden Corridor (Combined Stages 1, 2 & 3)	3,250	10,300	3,875	615	0	18,040
6,530	807	A96 Park & Choose / Dyce Drive Link Road	800	0	0	0	0	800
68,761	821	New Aberdeen Exhibition & Conference Centre	131,825	105,601	50,621	0	0	288,047
0	844	Sustrans Active Travel Infrastructure Fund	1,230	0	0	0	0	1,230
90	845	City Deal: Strategic Transport Appraisal	495	165	50	200	0	910
0	846	City Deal: Aberdeen Harbour Expansion Project	1,500	2,000	2,000	0	0	5,500
123,414			177,849	153,728	70,600	7,903	8,868	418,948
Forecast								
Outturn			Budget	Budget	Budget	Budget	Budget	Total
2016/17			2017/18	2018/19	2019/20	2020/21	2021/22	
£'000	NHCP No.	Prosperous People	£'000	£'000	£'000	£'000	£'000	£'000
235	773	New Brimmond School	0	0	0	0	0	0
9,652	776	Centre of Excellence (formerly ASN)	6,072	0	0	0	0	6,072
700	779	Private Sector Housing Grant (PSHG)	700	700	700	700	700	3,500
500	789E	Street Lighting	500	500	1,000	1,000	1,000	4,000
7	797	Victoria House	0	0	0	0	0	0
0	808A	New Academy to the South - ICT Infrastructure	0	1,000	0	0	0	1,000
0	808B	New Academy to the South - Infrastructure Improvements	0	1,500	0	0	0	1,500
0	809	New Milltimber Primary	0	500	11,000	1,500	0	13,000
3,614	811	Social Care Facilities - Burnside	57	0	0	0	0	57
500	812	Kingsfield Childrens Home	1,050	0	0	0	0	1,050
599	819	Tillydrone Community Hub	2,400	500	0	0	0	2,900
10	820	Investment in Tenanted Non-Residential Property Portfolio	1,290	1,582	0	0	0	2,872
800	823	Music Hall Refurbishment	0	0	0	0	0	0
500	827	SIF New Build Housing Programme	876	700	200	0	0	1,776
3,540	828	Greenbrae Primary Extension and Internal Works	70	0	0	0	0	70
1,688	829	Middlefield Project Relocation (Henry Rae CC)	37	0	0	0	0	37
3,010	831	Stonewood Primary	9,413	0	0	0	0	9,413
662	832	Dyce 3G Pitch	10	0	0	0	0	10
666	834	Refurbish Throughcare Facility - 311 Clifton Road	10	0	0	0	0	10
1,500	835	Street Lighting LED Lanterns (PACE 5 Year programme)	1,500	1,500	1,500	1,500	1,500	7,500
55	840	Tillydrone Primary School	2,850	6,595	7,500	0	0	16,945
25	841	Torry Primary School and Hub	2,975	7,000	9,000	1,000	0	19,975
104	843	Station House Media Unit Extension	938	0	0	0	0	938
28,367			30,748	22,077	30,900	5,700	3,200	92,625
Forecast								
Outturn			Budget	Budget	Budget	Budget	Budget	Total
2016/17			2017/18	2018/19	2019/20	2020/21	2021/22	
£'000	NHCP No.	Prosperous Place	£'000	£'000	£'000	£'000	£'000	£'000
9,536	294	Corporate Property Condition & Suitability	10,629	8,000	8,000	8,000	8,000	42,629
4,508	784	Fleet Replacement Programme (including Zero Waste Strategy Fleet)	3,243	3,700	3,900	4,100	4,300	19,243
23	794	Hydrogen Buses	0	0	0	0	0	0
1,181	810C	Energy from Waste (EFW) Procurement and Land Acq.	4,642	697	18	0	0	5,357
2,410	810E	Investment in Waste Collection	1,098	0	0	0	0	1,098
1,487	810F	Refuse Derived Fuel Plant	0	0	0	0	0	0
16,633	810G	Co-mingled MRF & Depot	1,542	0	0	0	0	1,542
0	810J	Bridge of Don HWRC	0	100	500	800	0	1,400
0	810K	Energy from Waste (EFW) Construction & Torry Heat Network	456	457	22,000	49,000	13,087	85,000
0	821	New Aberdeen Exhibition & Conference Centre : Anaerobic Digestion Plant	4,000	21,270	0	0	0	25,270
(28)	825	City Deal	48	0	0	0	0	48
190	826	Aberdeen City Hydrogen Energy Storage (ACHES)	0	0	0	0	0	0
100	836	Flood Prevention Measures: Flood Guards Grant Scheme	100	100	100	100	100	500
0	837	Flood Prevention Measures: Riverside Drive at Bridge of Dee Court	500	0	0	0	0	500
0	838	Flood Prevention Measures: Millside & Paddock Peterculter	0	1,000	2,000	0	0	3,000
0	839	Flood Prevention Measures: Inchgarth Road	0	500	500	0	0	1,000
0	999	Construction Inflation Allowance for existing projects	1,195	0	0	0	0	1,195
36,040			27,453	35,824	37,018	62,000	25,487	187,782
191,083		Totals	239,518	214,429	139,213	76,458	37,555	707,173

Forecast		Appendix 1 (Cont)					
Outturn		Non-Housing Capital Programme					
2016/17		Financed By:					Budget
£'000							2017/18
							2018/19
							2019/20
							2020/21
							2021/22
							Total
							£'000
	NHCP No.	1. Project Funding Streams					
(1,712)	294	Corporate Property Condition & Suitability	0	0	0	0	0
(251)	551	Cycling Walking Safer Streets	(316)	0	0	0	(316)
(1,756)	587	Access from the North / 3rd Don Crossing	0	(2,000)	0	0	(2,000)
		Fleet Replacement Programme					
(960)	784	(including Zero Waste Strategy Fleet)	0	0	0	0	0
(252)	789	Planned Renewal & Replacement of Roads Infrastructure	0	0	0	0	0
0	794	Hydrogen Buses	0	0	0	0	0
(99)	795	Accelerate Aberdeen (City Broadband)	0	0	0	0	0
(139)	807	A96 Park & Choose / Dyce Drive Link Road	0	0	0	0	0
(458)	810C	Energy from Waste (ERW) Procurement and Land Acq.	(2,459)	(397)	(18)	0	(2,874)
0	810K	Energy from Waste (ERW) Construction & Torry Heat Network	(274)	(274)	0	0	(548)
(23)	825	City Deal	0	0	0	0	0
(238)	826	Aberdeen City Hydrogen Energy Storage (ACHES)	0	0	0	0	0
0	827	SIP New Build Housing Programme	(1,000)	(1,000)	(1,000)	0	(3,000)
(1,414)	829	Middlefield Project Relocation (Henry Rae CC)	0	0	0	0	0
(80)	836	Flood Prevention Measures: Flood Guards Grant Scheme	(80)	(80)	(80)	(80)	(320)
		Flood Prevention Measures: Riverside Drive at Bridge of Dee Court					
0	837		0	(400)	0	0	(400)
0	838	Flood Prevention Measures: Millside & Paddock Peterculter	0	0	0	(2,400)	(2,400)
0	839	Flood Prevention Measures: Inchgarth Road	0	0	0	(800)	(800)
(104)	843	Station House Media Unit Extension	(938)	0	0	0	(938)
(800)	805	Technology Investment Requirements & Digital Strategy	(657)	0	0	0	(657)
(4,149)	799A	Art Gallery Redevelopment - Main Contract (HLF)	(14,197)	0	0	0	(14,197)
0	809	New Milltimber Primary	0	0	(2,421)	0	(2,421)
(800)	823	Music Hall Refurbishment	0	0	0	0	0
(396)	828	Greenbrae Primary Extension and Internal Works	(354)	0	0	0	(354)
(662)	832	Dyce 3G Pitch	(10)	0	0	0	(10)
(666)	834	Refurbish Throughcare Facility - 311 Clifton Road	(10)	0	0	0	(10)
(97)	811	Social Care Facilities - Burnside	0	0	0	0	0
(15,056)			(20,295)	(4,151)	(3,519)	(3,280)	0
		2. Other Receipts					
0		Shaping Aberdeen Housing LLP Land Receipts	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)
0		Receipt - Marischal Square	(9,000)	0	0	0	(9,000)
(5,117)		Receipts - General	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)
(5,117)			(13,000)	(4,000)	(4,000)	(4,000)	0
(20,132)		3. Capital Grant	(25,874)	(25,000)	(25,000)	(25,000)	(125,874)
(109,394)		4. Other Financing	(186,030)	(143,752)	(77,469)	(18,018)	(21,218)
(149,699)		Sub-total	(245,199)	(176,903)	(109,988)	(50,298)	(46,218)
(41,384)		Cashflow	5,681	(37,526)	(29,225)	(26,160)	8,663
0		Net Position	0	0	0	0	0

**APPENDIX 2
ABERDEEN CITY COUNCIL
2016/17 to 2021/22**

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

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

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

The key objectives of the Code are to ensure:-

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

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

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

The Code requires the following Prudential Indicators are set for the Council:-

	Capital Expenditure						
	2015/16 £'000 Actual	2016/17 £'000 Estimate	2017/18 £'000 Estimate	2018/19 £'000 Estimate	2019/20 £'000 Estimate	2020/21 £'000 Estimate	2021/22 £'000 Estimate
Non HRA	102,027	191,083	239,518	214,429	139,213	76,458	37,555
HRA	35,037	43,473	55,318	30,078	24,632	24,914	25,556

	Ratio of Financing Costs to Net Revenue Stream						
	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Non HRA	6.0%	4.3%	5.0%	5.2%	5.6%	5.9%	6.0%
HRA	15.7%	16.8%	16.5%	17.6%	18.5%	18.3%	17.7%

	Capital Financing Requirement						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Non HRA	498,305	576,857	743,765	859,206	915,606	912,138	909,998
HRA	235,291	248,917	273,772	272,445	264,301	254,618	243,634
Total	733,596	825,774	1,017,537	1,131,651	1,179,907	1,166,756	1,153,632

The Prudential Code states:

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

The Head of Finance reports that the Council can meet this requirement in 2015/16, and it is expected to do so for the future years, as outlined, taking into account current commitments, existing plans, and the assumptions in this report.

	Authorised Limit for External Debt					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Boundary	851,536	1,043,299	1,157,413	1,205,669	1,192,518	1,179,394
10% Margin	85,154	104,330	115,741	120,567	119,252	117,939
Total	936,690	1,147,629	1,273,154	1,326,236	1,311,770	1,297,333

	Operational Boundary for External Debt					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	747,952	942,326	1,059,662	1,110,915	1,099,558	1,089,808
Other Long Term Liabilities	103,584	100,973	97,751	94,754	92,960	89,586
Total	851,536	1,043,299	1,157,413	1,205,669	1,192,518	1,179,394

The estimate of the incremental impact of capital investment decisions proposed in this report, over and above capital investment decisions that have previously been taken by the Council are:

(a) for Band D Council Tax

	2017/18	2018/19	2019/20	2020/21	2021/22
	£41.85	£0	£0	£0	£0

(b) for average weekly housing rents (assuming that increased capital investment is financed by way of cfc and borrowing)

	2017/18	2018/19	2019/20	2020/21	2021/22
	£0.78	£0	£0	£0.02	£0.04

Appendix 3 - Reserves and Balances						
Communities, Housing & Infrastructure As at Period 10 2016/17	Balance at 1 April 2016	Balance at 31/1/17	Anticipated Use 2016/17	New Amounts / (No longer required)	Balance at 31/03/17	Purpose
	£'000	£'000	£'000	£'000	£'000	
Income Derived Projects:						
Energy Efficiency Fund	1,224	1,167	602		622	CEEF Fund. Revolving Fund. Funds are extended for Energy efficiency projects. The funding is recouped from the project over a period of time.
Bus Lane Enforcement	1,290	387	1,290		0	As required by the relevant legislation, net income from Bus Lane Enforcement to facilitate the objective's of the Local Transport Strategy
Second/Long Term Empty Homes	6,898	6,898	1,999		4,899	Ongoing investment into new housing.
Other Projects cont'd:						
EP&I Strategic Infrastructure Plan	44	0	44		0	Fully spent
CHI Strategic Infrastructure Plan	36	0	36		0	Fully spent
Upgrade to the Road at the Torry Battery	193	193	0		193	No contract in place, will be undertaken in 2017/18
Roads Repairs Projects	125	125	125		0	To be used for resurfacing Newburgh Circle. Works due to take place either by the end of October or March. This is dependent on progression of planned capital resurfacing works & weather over the winter. Full spend expected
CH&I Bus Plan Serv Opts-AMO-01		0	0		0	
Property Transfer	155	155	0		155	Agreed purpose is for repairs to Thomas Glover House as identified in building condition survey. Unlikely to be completed by 31 March 2017.
Park Improvements -						
Westburn Park Cycle Track restoration	29	29	0		29	Awaiting further information but looks like being 2017/18
Upgrade at Johnston Gardens	13	13	13		0	Awaiting further information but looks like being 2016/17
Park Improvement - Auchmill	2	0	2		0	Fully spent
Park Improvement - Cairnry Comm Centre	4	0	4		0	Fully spent
Park Improvements - Seaton Park	155	11	155		0	£100k approved at FP&R June 2015 and £55k approved at FP&R in June 2016. Should be fully spent by 31 March 2017
Duthie Park, Winter Gardens Education Room	39	0	39		0	Fully spent
City Deal	300	250	300		0	To be used to support the capital programme
Mens Shed	7	7	7		0	As approved by FP&R June 2015, contribution to Men's shed social club charity, Dyce.
DEM Education Community Centres	1,105	1,105	277		828	DEM funds being held until community centre management groups meet requirements and then can be released to them.
Community Planning	24	24	15		9	£15k committed to Participatory Budgeting in 2016/17. Balance as yet uncommitted.
Big Belly Bins	105	1	105		1	Fully spent
New Carpets for Cummings Park Flat	4	4	4		0	Part payment made February 2017 with remainder expected by 31 March 2017
Printfield Community Project Creche Development	5	5	5		0	Further information recently obtained from Cllr L Dunbar, payment expected to be made in 2016/17
Cornhill Community Centre Adult learning	5	0	5		0	Fully spent
New Kitchen for Danestone Community Centre	16	0	16		0	Fully spent
Cairnry Community Centre replacement of furniture	4	3	4		0	Part spent to date with remainder expected by 31 March 2017
Upgrade of CCTV Balnagask Community Centre	2	0	2		0	Fully spent
New Boiler Ferryhill Community Centre	20	20	0		20	Officers have advised that the boiler doesn't need to be replaced just now.
Old Torry Community Centre	5	0	5		0	Fully spent
Tillydrone Community Development Trust	12	0	12		0	Fully spent
Tillydrone Vision	10	0	10		0	Fully spent
New shed at St Clements Court	1	1	0		1	Awaiting further information but looks like being 2017/18
Youth bus for Torry Community Centre	20	20	0		20	Bus idea not viable, now looking to do something at the phoenix building.
Play Parks -						
New play equipment at Westerton of Auchmill (Bonnyview Road)	30	30	30		0	Contract signed, work due to commence 27 February 2017
Skene Street Play Park upgrade	7	7	7		0	Awaiting further information but looks like being 2016/17
Play equipment for Allan Park Cults	60	60	60		0	Contract signed, work expected to be undertaken in March 2017
Play equipment for Crown Terrace Park	15	15	15		0	Contract signed, work due to commence 30 January 2017
Provide a Bench at 4 Play areas within Kincorth	3	3	3		0	Contract signed, benches delivered and awaiting installation
Upgrade Play Area at Findon Ness	25	25	25		0	Contract signed, works commenced on site
Upgrade to Play Park at Seaview Place in Bridge of Don	30	30	30		0	Contract signed, work expected to be undertaken in February 2017
Off road motorcycle project	10	3	10		0	Part spent to date with remainder expected by 31 March 2017
Replace defunct Security Camera System at Kincorth Shopping Centre	5	5	5		0	Awaiting quote
To cover the legal costs for gifted land from Culter House Estate in Culter to the Community Council	5	5	0		5	Awaiting further information but looks like being 2017/18
Support for Milltimber Play Group outdoor forest	1	1	0		1	Awaiting further information but looks like being 2017/18
Fairer Aberdeen	36	0	36		0	Fully spent
Revenue Grants:						
Commercial - Dev Grant	30	30	0		30	Budget manager has the aspiration of using the fund as part of match funding for an ESF project. Nothing likely in 16/17.
DWP Flexible Support Funding	60	60	60		0	To be repaid
Duthie Park Bequest	66	47	19		47	Bequest made for improvements in Duthie Park
Private Sector Housing Grant	1,065	1,048	50		1,015	Revolving fund for improvements to private housing.
Welfare Rights/SLAB 2	7	0	7		0	Fully spent
Welfare Rights/NHS Grant	15	7	10		5	IT system being procured, balance required for 17/18 license
Community Justice Redesign Post	24	24	12		12	Ring Fenced funding for this post. Year 2 & Year 3 costs will exceed grant so this reserve will be needed to cover additional costs.
Total	13,446	11,917	5,554	0	7,892	

Appendix 3 (cont) Education & Children's Services As at Period 10 2016/17	Balance at 1 April 2016	Balance at 31/1/17	Anticipated Use 2016/17	New Amounts / (No longer required)	Balance at 31/03/17	Purpose
Projects:	£'000	£'000	£'000	£'000	£'000	
Additional grant AIYF	20	0	20		0	Fully spent
HMT Roof Works	288	288	38		250	HMT Roof Works as approved at Finance, Policy & Resources Committee, April 2016
Developing Young Workforce	300	259	153		147	To prepare young adults for the transition from education to the workplace. As approved at Finance, Policy & Resources, April 2016
Northfield Academy Fire Work display	1	1	1		0	Event has taken place, awaiting invoice
Music Hall Redevelopment	800	800	800		0	To contribute towards the redevelopment of the Music hall, approved by Council, June 2013
Reclaiming Social Work	337	337	0		337	As agreed at Social Care & Wellbeing Committee September 2013, towards the costs of this project.
Reclaiming Social Work	2,930	2,930	800		2,130	As agreed at Council February 2015, towards the costs of this project. Sums to be spent 16/17 and 17/18
ICT Projects - Schools ICT Fund	1,446	1,203	469		977	Implement various approved school ICT projects
Business Plan Service Options	89	84	25		64	Spend in year relates to City Moves move to arms length status
DEM Carry Forward Balances	2,525	2,525	1,639		886	Schools
Hilton Outdoor Centre	25	0	25		0	Fully spent
Total	8,761	8,428	3,970	0	4,791	
Corporate Governance As at Period 10 2016/17	Balance at 1/4/16	Balance at 31/1/17	Anticipated Use 2016/17	New Amounts / (No longer required)	Balance at 31/03/17	Purpose
Projects:	£'000	£'000	£'000	£'000	£'000	
ICT Projects - New Microphones	37	15	22		15	Work ongoing, balance required in 2017/18
Business Plan Service Options	340	223	151		189	Currently funding salaries into 2017/18
Employee Benefit Scheme	77	77	77		0	To be used for potential VAT liability
H&S Training Programme for Managers	25	25	0	(25)	0	To be funded from training budget
ICT Projects	47	29	22		25	
ICT Rolling Programme	76	1	76		0	Fully spent
Star Awards Sponsorship	25	25	20		5	Cost incurred, awaiting transfer from Procurement
Events Review	23	1	23		0	Fully spent
Total	650	396	391	(25)	234	
Adults Social Care As at Period 10 2016/17	Balance at 1 April 2016	Balance at 31/1/17	Anticipated Use 2016/17	New Amounts / (No longer required)	Balance at 31/03/17	Purpose
Revenue Grants:	£'000	£'000	£'000	£'000	£'000	
School Drive/Abbotswell	29	3	26	(3)	0	For adaptations to the school drive service.
Sef Directed Support	255	54	255		0	Funding for various posts to improve SDS uptake during 2017.
Total	284	57	281	(3)	0	
Corporate As at Period 10 2016/17	Balance at 1 April 2016	Balance at 31/1/17	Anticipated Use 2016/17	New Amounts / (No longer required)	Balance at 31/03/17	Purpose
Projects:	£'000	£'000	£'000	£'000	£'000	
De-risk the Council	2,872	2,872	0		2,872	Cash backing for Council guarantees to external organisations
Welfare Reform	2,000	2,000	0		2,000	Recognised priority of the Council and additional risk associated with being uncertain about the full financial impact on the Council
Financial Risk Fund	8,378	8,378	0		8,378	As agreed at Finance & Resources Committee October 2012, to provide funding to support the cost pressure risks associated with Priority Based Budgeting
Scottish Welfare Fund	35	(0)	35		(0)	Unspent funding to be utilised in 2016/17 as per advice from the Scottish Government. Fully spent.
Investment Strategy (Digital Strategy)	1,350	1,062	800		550	Funding Capital Plan
Investment Strategy	9,931	9,931	0		9,931	Funding set aside towards the future investment strategy of the Council
Total	24,566	24,243	835	0	23,731	
Total As at Period 10 2016/17	Balance at 1 April 2016	Balance at 31/1/17	Anticipated Use 2016/17	New Amounts / (No longer required)	Balance at 31/03/17	Purpose
Service	£'000	£'000	£'000	£'000	£'000	
Communities, Housing & Infrastructure	13,446	11,917	5,554	0	7,892	
Corporate Governance	650	396	391	(25)	234	
Education & Childrens Services	8,761	8,428	3,970	0	4,791	
Adult Social Services	284	57	281	(3)	0	
Corporate	24,566	24,243	835	0	23,731	
Total	47,707	45,040	11,031	(28)	36,647	
Uncommitted General Fund Balance	11,291					
Total General Fund Balance	58,998					
Statutory Funds						
Capital Fund	27,952					
Insurance Fund	1,802					
City Improvement Fund	343					
Lord Byron Fund	5					
Total	30,102					

Appendix 4 - Forecast statement of financial position – Includes General Fund and HRA

Forecast statement of income and expenditure

2016/17-2025/26

£'000	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26
Revenue	766,598	772,483	780,825	803,698	818,057	835,448	855,087	868,450	882,565	899,651
Operating costs	(617,163)	(621,417)	(626,784)	(629,573)	(635,665)	(649,113)	(662,291)	(675,587)	(689,319)	(703,578)
Gross income	149,435	151,067	154,041	174,124	182,392	186,334	192,795	192,863	193,246	196,073
Lifecycle costs	(26,608)	(27,100)	(27,701)	(28,327)	(28,974)	(29,587)	(30,187)	(35,330)	(32,966)	(32,069)
Capital write-off	-	-	-	-	-	-	-	-	-	-
Operating profit	122,828	123,967	126,341	145,797	153,418	156,748	162,608	157,533	160,280	164,004
Interest receivable on cash deposits	1,168	1,429	714	328	386	472	566	647	723	835
Interest incurred on overdraft	-	-	-	(0)	-	-	-	-	-	-
Financing expenses	(33,138)	(38,806)	(39,325)	(39,518)	(39,918)	(38,683)	(37,624)	(36,684)	(35,726)	(34,744)
Pension service costs	(31,242)	(31,554)	(31,870)	(32,189)	(32,510)	(32,836)	(33,164)	(33,496)	(33,831)	(34,169)
Net profit	59,616	55,035	55,859	74,418	81,376	85,701	92,386	88,001	91,446	95,925
Retained profit b/f*	-	59,616	114,651	170,510	244,928	326,304	412,005	504,391	592,392	683,838
Net profit in period	59,616	55,035	55,859	74,418	81,376	85,701	92,386	88,001	91,446	95,925
Retained profit c/f	59,616	114,651	170,510	244,928	326,304	412,005	504,391	592,392	683,838	779,763

* Retained profits have been forecast incrementally to existing reserves.

2026/27-2035/36

£'000	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31	31-Mar-32	31-Mar-33	31-Mar-34	31-Mar-35	31-Mar-36
Revenue	917,784	936,356	955,606	976,845	998,404	1,020,254	1,042,339	1,064,020	1,086,482	1,109,595
Operating costs	(718,292)	(733,335)	(748,955)	(765,598)	(782,920)	(800,693)	(818,544)	(836,465)	(854,647)	(873,123)
Gross income	199,493	203,022	206,650	211,247	215,483	219,562	223,795	227,555	231,835	236,472
Lifecycle costs	(32,739)	(33,425)	(39,417)	(36,699)	(35,684)	(36,494)	(37,308)	(44,316)	(41,067)	(39,795)
Capital write-off	-	-	-	-	-	-	-	-	-	-
Operating profit	166,754	169,597	167,233	174,548	179,799	183,067	186,487	183,239	190,769	196,677
Interest receivable on cash deposits	950	1,069	1,177	1,295	1,461	1,643	1,834	2,020	2,219	2,463
Interest incurred on overdraft	-	-	-	-	-	-	-	-	-	-
Financing expenses	(33,693)	(32,750)	(31,956)	(30,923)	(29,756)	(28,481)	(27,238)	(26,063)	(24,920)	(23,730)
Pension service costs	(34,511)	(34,856)	(35,204)	(35,556)	(35,912)	(36,271)	(36,634)	(37,000)	(37,370)	(37,744)
Net profit	99,501	103,060	101,251	109,364	115,593	119,958	124,449	122,196	130,698	137,666
Retained profit b/f*	779,763	879,264	982,324	1,083,575	1,192,939	1,308,532	1,428,490	1,552,939	1,675,135	1,805,833
Net profit in period	99,501	103,060	101,251	109,364	115,593	119,958	124,449	122,196	130,698	137,666
Retained profit c/f	879,264	982,324	1,083,575	1,192,939	1,308,532	1,428,490	1,552,939	1,675,135	1,805,833	1,943,498

* Retained profits have been forecast incrementally to existing reserves.

2036/37-2045/46

£'000	31-Mar-37	31-Mar-38	31-Mar-39	31-Mar-40	31-Mar-41	31-Mar-42	31-Mar-43	31-Mar-44	31-Mar-45	31-Mar-46
Revenue	1,133,061	1,157,533	1,182,488	1,204,806	1,229,135	1,254,678	1,279,284	1,303,549	1,327,989	1,352,620
Operating costs	(891,784)	(911,240)	(931,036)	(950,871)	(970,692)	(990,585)	(1,009,260)	(1,027,426)	(1,045,584)	(1,063,728)
Gross income	241,277	246,293	251,453	253,934	258,442	264,093	270,024	276,123	282,405	288,892
Lifecycle costs	(40,645)	(41,532)	(49,669)	(45,807)	(44,241)	(45,147)	(45,998)	(55,209)	(50,504)	(48,480)
Capital write-off	-	-	-	-	-	-	-	-	-	-
Operating profit	200,632	204,761	201,783	208,127	214,201	218,946	224,026	220,914	231,901	240,412
Interest receivable on cash deposits	2,724	3,002	3,279	3,605	3,978	4,371	4,784	5,191	5,612	6,092
Interest incurred on overdraft	-	-	-	-	-	-	-	-	-	-
Financing expenses	(22,822)	(21,770)	(20,594)	(19,410)	(18,261)	(16,775)	(15,500)	(14,332)	(13,125)	(11,887)
Pension service costs	(38,121)	(38,502)	(38,887)	(39,276)	(39,669)	(40,066)	(40,466)	(40,871)	(41,280)	(41,693)
Net profit	142,413	147,491	145,581	153,046	160,249	166,477	172,843	170,901	183,108	192,924
Retained profit b/f*	1,943,498	2,085,911	2,233,402	2,378,983	2,532,029	2,692,278	2,858,755	3,031,598	3,202,499	3,385,607
Net profit in period	142,413	147,491	145,581	153,046	160,249	166,477	172,843	170,901	183,108	192,924
Retained profit c/f	2,085,911	2,233,402	2,378,983	2,532,029	2,692,278	2,858,755	3,031,598	3,202,499	3,385,607	3,578,532

* Retained profits have been forecast incrementally to existing reserves.

2046/47-2055/56

£'000	31-Mar-47	31-Mar-48	31-Mar-49	31-Mar-50	31-Mar-51	31-Mar-52	31-Mar-53	31-Mar-54	31-Mar-55	31-Mar-56
Revenue	1,377,440	1,402,424	1,427,899	1,454,050	1,480,973	1,508,570	1,536,968	1,566,006	1,570,844	1,592,137
Operating costs	(1,081,852)	(1,099,863)	(1,118,190)	(1,136,987)	(1,156,320)	(1,176,082)	(1,196,321)	(1,216,908)	(1,237,394)	(1,258,528)
Gross income	295,589	302,561	309,709	317,063	324,653	332,487	340,646	349,098	333,451	333,609
Lifecycle costs	(49,306)	(50,127)	(60,543)	(55,074)	(52,699)	(53,599)	(54,521)	(66,409)	(60,135)	(57,384)
Capital write-off	-	-	-	-	-	-	-	-	0	-
Operating profit	246,283	252,434	249,166	261,989	271,954	278,888	286,125	282,689	273,315	276,225
Interest receivable on cash deposits	6,613	7,186	7,779	8,397	9,077	9,800	10,569	11,344	12,060	12,801
Interest incurred on overdraft	-	-	-	-	-	-	-	-	-	-
Financing expenses	(10,680)	(9,657)	(8,610)	(7,545)	(6,465)	(5,342)	(4,263)	(3,242)	(2,621)	(2,438)
Pension service costs	(42,109)	(42,531)	(42,956)	(43,385)	(43,819)	(44,257)	(44,700)	(45,147)	(45,598)	(46,054)
Net profit	200,106	207,433	205,379	219,455	230,746	239,088	247,731	245,643	237,155	240,533
Retained profit b/f*	3,578,532	3,778,638	3,986,071	4,191,450	4,410,905	4,641,651	4,880,739	5,128,469	5,374,112	5,194,643
Net profit in period	200,106	207,433	205,379	219,455	230,746	239,088	247,731	245,643	237,155	240,533
Retained profit c/f	3,778,638	3,986,071	4,191,450	4,410,905	4,641,651	4,880,739	5,128,469	5,374,112	5,611,268	5,435,175

* Retained profits have been forecast incrementally to existing reserves.

Forecast Balance Sheet											
2016/17-2025/26											
	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	
£000											
Non-current assets											
Property, plant and equipment (incl WIP)	2,280,537	2,540,582	2,703,759	2,778,693	2,803,572	2,799,518	2,790,739	2,782,152	2,773,766	2,765,597	
Heritage assets	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	
Investment property	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	
Intangible assets	31	31	31	31	31	31	31	31	31	31	
Long-term investments	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	
Trade and other receivables	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	
Total non-current assets	2,575,189	2,835,234	2,998,411	3,073,345	3,098,224	3,094,170	3,085,391	3,076,804	3,068,418	3,060,249	
Current assets											
Cash, cash equivalents and short-term inv	354,359	222,238	99,293	61,550	82,713	98,624	118,742	132,635	149,814	173,307	
Trade and other receivables	70,626	71,165	71,778	73,950	74,711	76,208	77,898	78,811	80,066	81,526	
Inventory	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	
Assets held for sale	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	
Total current assets	432,088	300,506	178,174	142,603	164,527	181,935	203,743	218,550	236,983	261,936	
Total assets	3,007,277	3,135,740	3,176,585	3,215,949	3,262,751	3,276,105	3,289,134	3,295,353	3,305,402	3,322,185	
Current liabilities											
Trade and other payables	(87,646)	(88,382)	(89,254)	(89,828)	(90,827)	(92,748)	(94,631)	(97,025)	(98,492)	(100,530)	
Borrowings - general	(19,618)	(20,897)	(31,448)	(36,996)	(38,357)	(39,965)	(41,648)	(40,991)	(40,309)	(40,637)	
Provisions	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	
PPP liabilities	(2,611)	(3,222)	(5,517)	(4,314)	(5,894)	(5,711)	(6,492)	(5,385)	(3,856)	(6,629)	
Accumulated absences account	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	
Grant receipts in advance - revenue	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	
Grant receipts in advance - capital	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	
Total current liabilities	(121,363)	(123,988)	(137,707)	(142,627)	(146,566)	(149,912)	(154,259)	(154,889)	(154,145)	(159,283)	
Non-current liabilities											
Trade and other payables	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	
Borrowings - general	(622,792)	(676,897)	(673,313)	(671,360)	(679,296)	(651,338)	(622,062)	(593,824)	(566,665)	(539,590)	
Borrowings - index-linked bond	(357,653)	(368,215)	(371,241)	(371,475)	(371,514)	(370,881)	(369,781)	(368,365)	(366,647)	(364,551)	
Borrowings	(980,445)	(1,045,112)	(1,044,555)	(1,042,834)	(1,050,810)	(1,022,219)	(991,844)	(962,189)	(933,312)	(904,142)	
Provisions	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	
PPP liabilities	(113,972)	(143,953)	(140,435)	(136,121)	(130,227)	(124,516)	(118,024)	(112,638)	(108,783)	(102,154)	
Pension liabilities	(243,990)	(236,790)	(229,518)	(222,174)	(214,756)	(207,264)	(199,697)	(192,055)	(184,336)	(176,540)	
Total non-current liabilities	(1,339,879)	(1,427,327)	(1,415,981)	(1,402,602)	(1,397,266)	(1,355,471)	(1,311,037)	(1,268,355)	(1,227,903)	(1,184,307)	
Total liabilities	(1,461,242)	(1,551,315)	(1,553,688)	(1,545,228)	(1,543,832)	(1,505,384)	(1,465,296)	(1,423,244)	(1,382,047)	(1,343,590)	
Net assets	1,546,035	1,584,425	1,622,897	1,670,720	1,718,919	1,770,722	1,823,838	1,872,109	1,923,354	1,978,595	

2026/27-2035/36

£'000	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31	31-Mar-32	31-Mar-33	31-Mar-34	31-Mar-35	31-Mar-36
<i>Non-current assets</i>										
Property, plant and equipment (incl. WIP)	2,757,654	2,749,941	2,742,474	2,735,290	2,728,408	2,721,837	2,715,567	2,709,588	2,703,896	2,698,492
Heritage assets	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092
Investment property	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937
Intangible assets	31	31	31	31	31	31	31	31	31	31
Long-term investments	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061
Trade and other receivables	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531
Total non-current assets	3,052,306	3,044,593	3,037,126	3,029,942	3,023,060	3,016,489	3,010,219	3,004,240	2,998,548	2,993,144
<i>Current assets</i>										
Cash, cash equivalents and short-term investments	196,449	220,495	240,891	266,736	301,985	338,915	377,618	413,853	456,417	506,902
Trade and other receivables	83,028	84,554	86,149	87,923	89,671	91,453	93,267	95,014	96,852	98,711
Inventory	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674
Assets held for sale	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429
Total current assets	286,580	312,152	334,144	361,761	398,759	437,471	477,988	515,970	560,372	612,716
Total assets	3,338,886	3,356,745	3,371,270	3,391,703	3,421,819	3,453,960	3,488,207	3,520,210	3,558,920	3,605,860
<i>Current liabilities</i>										
Trade and other payables	(102,632)	(104,781)	(107,592)	(109,391)	(111,865)	(114,404)	(116,955)	(120,195)	(122,113)	(124,753)
Borrowings - general	(42,151)	(43,740)	(44,213)	(42,630)	(41,794)	(42,162)	(41,670)	(41,726)	(40,102)	(39,389)
Provisions	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)
PPP liabilities	(7,031)	(7,275)	(7,429)	(5,519)	(7,843)	(8,918)	(9,182)	(8,668)	(8,738)	(10,497)
Accumulated absences account	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)
Grant receipts in advance - revenue	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Grant receipts in advance - capital	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total current liabilities	(163,302)	(167,283)	(170,721)	(169,027)	(172,990)	(176,972)	(179,295)	(182,076)	(182,441)	(186,126)
<i>Non-current liabilities</i>										
Trade and other payables	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)
Borrowings	(873,407)	(841,141)	(808,646)	(777,782)	(747,669)	(716,913)	(686,352)	(655,501)	(626,030)	(596,963)
Provisions	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)
PPP liabilities	(95,123)	(87,848)	(80,420)	(74,901)	(67,057)	(58,140)	(48,958)	(40,290)	(31,552)	(21,055)
Pension liabilities	(168,666)	(160,713)	(152,680)	(144,568)	(136,374)	(128,098)	(119,740)	(111,297)	(102,771)	(94,159)
Total non-current liabilities	(1,138,668)	(1,091,174)	(1,043,218)	(998,723)	(952,572)	(904,623)	(856,522)	(808,561)	(761,825)	(713,649)
Total liabilities	(1,301,970)	(1,258,457)	(1,213,939)	(1,167,750)	(1,125,562)	(1,081,594)	(1,035,817)	(990,637)	(944,266)	(899,775)
Net assets	2,036,916	2,098,288	2,157,331	2,223,953	2,296,257	2,372,365	2,452,390	2,529,573	2,614,654	2,706,085
<i>Reserves and Retained profit</i>										
General Fund	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856
Housing Revenue Account	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808
Statutory and other reserves	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102
Capital receipts reserve	-	-	-	-	-	-	-	-	-	-
Capital grants unapplied account	97	97	97	97	97	97	97	97	97	97
Retained profits	879,264	982,324	1,083,575	1,192,939	1,308,532	1,428,490	1,552,939	1,675,135	1,805,833	1,943,498
Unusable reserves	1,057,789	1,016,101	973,892	931,150	887,862	844,012	799,588	754,575	708,959	662,723
Total reserves and retained profits	2,036,916	2,098,288	2,157,331	2,223,953	2,296,257	2,372,365	2,452,390	2,529,573	2,614,654	2,706,085

2036/37-2045/46

£'000	31-Mar-37	31-Mar-38	31-Mar-39	31-Mar-40	31-Mar-41	31-Mar-42	31-Mar-43	31-Mar-44	31-Mar-45	31-Mar-46
<i>Non-current assets</i>										
Property, plant and equipment (incl. WIP)	2,693,369	2,688,550	2,684,035	2,679,811	2,675,858	2,672,164	2,668,650	2,665,273	2,662,013	2,658,852
Heritage assets	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092
Investment property	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937
Intangible assets	31	31	31	31	31	31	31	31	31	31
Long-term investments	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061
Trade and other receivables	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531
Total non-current assets	2,988,021	2,983,202	2,978,687	2,974,463	2,970,510	2,966,816	2,963,302	2,959,925	2,956,665	2,953,504
<i>Current assets</i>										
Cash, cash equivalents and short-term investments	560,013	616,624	671,581	741,363	817,335	897,430	981,217	1,061,289	1,149,236	1,247,388
Trade and other receivables	100,614	102,584	104,585	106,273	108,293	110,318	112,255	114,140	116,055	117,965
Inventory	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674
Assets held for sale	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429
Total current assets	667,730	726,312	783,269	854,738	932,732	1,014,851	1,100,575	1,182,532	1,272,394	1,372,456
Total assets	3,655,751	3,709,513	3,761,956	3,829,201	3,903,242	3,981,667	4,063,877	4,142,457	4,229,059	4,325,960
<i>Current liabilities</i>										
Trade and other payables	(127,419)	(130,199)	(133,820)	(135,860)	(138,692)	(141,534)	(144,202)	(147,712)	(149,392)	(151,984)
Borrowings - general	(39,922)	(39,861)	(39,800)	(39,753)	(39,977)	(40,930)	(42,104)	(43,063)	(42,057)	(39,166)
Provisions	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)
PPP liabilities	(10,962)	(10,093)	-	-	-	-	-	-	-	-
Accumulated absences account	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)
Grant receipts in advance - revenue	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Grant receipts in advance - capital	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total current liabilities	(189,791)	(191,641)	(185,108)	(187,101)	(190,158)	(193,953)	(197,794)	(202,263)	(202,937)	(202,638)
<i>Non-current liabilities</i>										
Trade and other payables	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)
Borrowings	(567,248)	(537,286)	(506,949)	(476,188)	(444,737)	(411,504)	(376,463)	(339,944)	(303,893)	(270,175)
Provisions	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)
PPP liabilities	(10,093)	-	-	-	-	-	-	-	-	-
Pension liabilities	(85,518)	(77,516)	(69,433)	(61,269)	(53,024)	(44,696)	(36,285)	(27,790)	(19,210)	(10,544)
Total non-current liabilities	(664,332)	(616,273)	(577,854)	(538,929)	(499,233)	(457,672)	(414,220)	(369,206)	(324,575)	(282,190)
Total liabilities	(854,123)	(807,914)	(762,962)	(726,030)	(689,390)	(651,625)	(612,014)	(571,469)	(527,511)	(484,829)
Net assets	2,801,628	2,901,599	2,998,994	3,103,171	3,213,851	3,330,042	3,451,863	3,570,988	3,701,548	3,841,131
<i>Reserves and Retained profit</i>										
General Fund	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856
Housing Revenue Account	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808
Statutory and other reserves	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102
Capital receipts reserve	-	-	-	-	-	-	-	-	-	-
Capital grants unapplied account	97	97	97	97	97	97	97	97	97	97
Retained profits	2,085,911	2,233,402	2,378,983	2,532,029	2,692,278	2,858,755	3,031,598	3,202,499	3,385,607	3,578,532
Unusable reserves	615,854	568,334	520,148	471,279	421,710	371,424	320,402	268,626	216,077	162,736
Total reserves and retained profits	2,801,628	2,901,599	2,998,994	3,103,171	3,213,851	3,330,042	3,451,863	3,570,988	3,701,548	3,841,131

2046/47-2055/56

£'000	31-Mar-47	31-Mar-48	31-Mar-49	31-Mar-50	31-Mar-51	31-Mar-52	31-Mar-53	31-Mar-54	31-Mar-55	31-Mar-56
<i>Non-current assets</i>										
Property, plant and equipment (incl. WIP)	2,655,767	2,652,733	2,650,816	2,658,317	2,672,610	2,687,716	2,707,796	2,727,920	2,748,082	2,768,275
Heritage assets	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092	172,092
Investment property	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937	85,937
Intangible assets	31	31	31	31	31	31	31	31	31	31
Long-term investments	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061	19,061
Trade and other receivables	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531	17,531
Total non-current assets	2,950,419	2,947,385	2,945,468	2,952,969	2,967,262	2,982,368	3,002,448	3,022,572	3,042,734	3,062,927
<i>Current assets</i>										
Cash, cash equivalents and short-term investments	1,354,035	1,472,570	1,590,148	1,718,465	1,856,680	2,003,983	2,160,761	2,314,768	2,490,339	2,614,068
Trade and other receivables	119,881	121,791	123,753	125,751	127,803	129,886	132,053	134,245	133,754	135,949
Inventory	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674	1,674
Assets held for sale	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429	5,429
Total current assets	1,481,019	1,601,464	1,721,005	1,851,320	1,991,586	2,140,972	2,299,917	2,456,116	2,631,196	2,757,120
Total assets	4,431,438	4,548,849	4,666,473	4,804,289	4,958,848	5,123,340	5,302,365	5,478,689	5,673,930	5,820,047
<i>Current liabilities</i>										
Trade and other payables	(154,573)	(157,146)	(160,815)	(162,450)	(165,212)	(168,035)	(170,926)	(175,068)	(176,809)	(179,851)
Borrowings - general	(40,126)	(40,403)	(40,150)	(41,017)	(38,638)	(36,055)	(36,168)	(5,098)	(3,721)	-
Provisions	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)	(3,870)
PPP liabilities	-	-	-	-	-	-	-	-	-	-
Accumulated absences account	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)	(5,618)
Grant receipts in advance - revenue	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Grant receipts in advance - capital	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total current liabilities	(206,187)	(209,037)	(212,453)	(214,955)	(215,338)	(215,578)	(218,582)	(191,655)	(192,018)	(191,339)
<i>Non-current liabilities</i>										
Trade and other payables	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)	(223)
Borrowings	(234,903)	(198,807)	(162,403)	(124,533)	(88,390)	(54,137)	(19,028)	(14,203)	(10,483)	(10,483)
Provisions	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)	(1,249)
PPP liabilities	-	-	-	-	-	-	-	-	-	-
Pension liabilities	(1,791)	-	-	-	-	-	-	-	-	-
Total non-current liabilities	(238,166)	(200,279)	(163,875)	(126,005)	(89,862)	(55,609)	(20,500)	(15,675)	(11,955)	(11,955)
Total liabilities	(444,353)	(409,316)	(376,328)	(340,960)	(305,200)	(271,187)	(239,082)	(207,330)	(203,972)	(203,293)
Net assets	3,987,085	4,139,533	4,290,145	4,463,329	4,653,648	4,852,153	5,063,282	5,271,359	5,469,958	5,616,754
<i>Reserves and Retained profit</i>										
General Fund	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856	58,856
Housing Revenue Account	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808	10,808
Statutory and other reserves	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102	30,102
Capital receipts reserve	-	-	-	-	-	-	-	-	-	-
Capital grants unapplied account	97	97	97	97	97	97	97	97	97	97
Retained profits	3,778,638	3,986,071	4,191,450	4,410,905	4,641,651	4,880,739	5,128,469	5,374,112	5,611,268	5,435,175
Unusable reserves	108,584	53,599	(1,168)	(47,439)	(87,866)	(128,448)	(165,050)	(202,617)	(241,173)	81,716
Total reserves and retained profits	3,987,085	4,139,533	4,290,145	4,463,329	4,653,648	4,852,153	5,063,282	5,271,359	5,469,958	5,616,754

APPENDIX 5 – GROWTH ITEMS

Cost Pressures 17/18 (£000)								
	Communities Housing & Infrastructure	Corporate Governance	Integrated Joint Board	Education & Children's Services	Office of Chief Executive	Trading	Council Wide	Total
Originally Modelled Pressures								
Previous Years Savings	6			(485)		(176)	11	(644)
Contractual:								
Staff Increments	526	366		1,755	23	60		2,732
Pay Award							3,418	3,418
Elections					390			390
A96 Park & Choose	83							83
Zero Waste Strategy	204							204
Insurance Contract							300	300
	813	366	0	1,755	413	60	3,718	7,127
Assumed Contractual								
Children's Social Work - commissioned services 1%				120				120
Managed Wi-Fi - Renewal of contract		200						200
Apprenticeship Levy							910	910
	0	200	0	120	0	0	910	1,230
Demographic								
Demographics - Pupil Numbers				150				150
	0	0	0	150	0	0	0	150
Other Cost pressures								
Running Costs New Schools				140				140
Rate revaluation	2						1,763	1,765
Provision for Bad Debts							370	370
Reversal 1 Year Funding				(306)	(100)		107	(299)
Investment in fleet to ensure saving	400							400
Provision of meals during school holidays	90							90
Loss of income due to reduction in DWP admin grant		60						60
	492	60	0	(166)	(100)	0	2,240	2,526
Ongoing Cost Pressures								
Out of Authority Placements				3,012				3,012
	0	0	0	3,012	0	0	0	3,012
Other Budget Changes								
Reduction to Budget				(3,090)				(3,090)
Ring Fenced Expenditure								2,725
Budget Transfers	(4)	4	103	(103)				
	(4)	4	(2,987)	(103)	0	0	0	(365)
Total (Expenditure)	1,307	630	(2,987)	4,283	313	(116)	6,879	13,152
Loss of Income								
Planning Application & Building Warrant Income Levels	857							857
Loss of income due to end of right to buy scheme		90						90
Funding Amendments								
Reduction in Scottish Government Funding							13,096	13,097
Council tax - increase in number of households							(1,200)	(1,200)
Council tax - multiplier							(5,911)	(5,911)
New Ring Fenced Income								(2,725)
Total (Income)	857	90	0	0	0	(116)	5,985	4,092
Total Cost Pressures	2,164	720	(2,987)	4,283	313	(232)	12,864	17,244

Appendix 6 (cont)

Helen Shanks	SO16	Redesign of Pupil Support	(325)	(325)	(325)	(325)	(325)	Medium
Richard Sweetnam	SO6	Renegotiate Contracts with Visit Aberdeenshire	0	(100)	(100)	(100)	(100)	Medium
Fraser Bell	SO141	Planning Agreement Fees	(11)	(11)	(11)	(11)	(11)	Medium
Euan Couperwhite	SO7	Reduce Expenditure on Consultancy Services & Agency Staff	(500)	(500)	(500)	(500)	(500)	Medium
Euan Couperwhite	SO9	Energy Efficiency	(720)	(720)	(720)	(720)	(720)	Medium
John Quinn	SO1	Increased Income Generation from Building Services Trading Account	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	Medium
John Quinn	SO102	Income generation by charging staff for parking at work establishments	(200)	(200)	(200)	(200)	(200)	Medium
Andrew Griffiths	SO113	Leased Asset Maximisation - Beach Ballroom	(324)	(324)	(324)	(324)	(324)	Medium
Andrew Griffiths	SO125	Childcare Service to become self funding	(100)	(100)	(200)	(300)	(400)	Medium
Steve Whyte	SO56	Investment in More Council Tax Staff to Bring in More Income	(200)	(200)	(200)	(200)	(200)	Medium
Ewan Sutherland	SO95	Accord Card - charge for replacement cards	0	(70)	(70)	(70)	(70)	Medium
John Quinn	SO98	Bring School Catering to Cost Neutral position	(400)	(400)	(400)	(400)	(400)	Medium
Mark Reilly	SO15	Waste Service Review	(303)	(453)	(453)	(453)	(453)	Medium
Mark Reilly	SO42	General Grass/Street Cleaning Reduction	(204)	(264)	(264)	(264)	(264)	Medium
Andrew Griffiths	SO85	Review of the Library Provision	(500)	(500)	(500)	(500)	(500)	Medium
Euan Couperwhite	SO116	Review of staffing with a view to allowing VS/ER where appropriate	(4,000)	(6,000)	(6,000)	(6,000)	(6,000)	Medium
Euan Couperwhite	SO117	Introduce a new working week of 35 hours for new employees	(900)	(900)	(900)	(900)	(900)	Medium
Euan Couperwhite	SO19	Delivery of Business Support Services/Digitisation Programme - Transformation Activity	(3,000)	(6,000)	(6,000)	(6,000)	(6,000)	Medium
Euan Couperwhite	SO86	Restructure Central Support (PPR)	(229)	(229)	(229)	(229)	(229)	Medium
John Quinn	SO10	Property Asset Rationalisation	(143)	(95)	(327)	(327)	(327)	Low
John Quinn	SO2	Leased Income Maximisation - Marischal College	0	(150)	(300)	(300)	(300)	Low
Richard Sweetnam	SO5	Advertising Concession Contract with Single City Wide Provider	0	(250)	(250)	(250)	(250)	Low
Andrew Griffiths	SO68	Creation of Culture ALEO (NDR Saving on Libraries and Museums)	0	(300)	(300)	(300)	(300)	Low
Mark Reilly	SO134	Review and reduce overtime budgets under the remit of the Head of Service for Public Infrastructure &	(250)	(250)	(250)	(250)	(250)	Low
			(31,899)	(40,363)	(46,100)	(49,285)	(52,520)	

APPENDIX 7		
LIB SUMMARY 2017/18	£000	
Adult Services Revenue Budget (2016/17) (Gross)	128,257	
Housing Element (2016/17)	1,861	
	130,118	
Adjust: Inter council adjustments (see below)	103	
Less: Cash reduction from ACC (share of £80M)	(3,090)	
2017/18 Funding allocated to Aberdeen City Health and Social Care Partnership (Gross)	127,131	
Represented by:		
Housing Element	1,861	
Adult Services	125,270	
ADDITIONAL INFORMATION	£000	£000
2016/17 Revenue Budget		130,118
Inter Council Adjustments		
Element of training transferred from BAC to Children's Services	(116)	
Admin staff transferred from E&CS	219	103
Growth Pressures identified for 2017/18:		
Staff Increments and Pay Awards	519	
Apprenticeship Levy (0.5%)	90	
National Care Home Contract Inflation (still under negotiation)	912	
Living wage pressure - additional 6 months of funding to providers	1,600	
Living wage - move from £8.25 to £8.45 from 1 May 2017	1,145	
Sleepovers (under review)	1,113	
War pension income - disregarded	18	
Carers Bill - preparation cost	78	
Bon Accord Care (inflation)	255	
Energy and Business Rates increases	31	
Investment in approved revised HSCP structure *	495	6,256
Absorb from Integration and Transformation Fund:		
National Care Home Contract Inflation (still under negotiation)	(912)	
Living wage pressure - additional 6 months of funding to providers	(1,600)	
Living wage - move from £8.25 to £8.45 from 1 May 2017	(1,145)	
Sleepovers (under review)	(1,113)	
Carers Bill - preparation cost	(78)	
War pension income - disregarded	(18)	
Investment in approved revised HSCP structure *	(495)	(5,361)
Budget Savings		
Various on-costs on commissioned services	(315)	
Reduce out of authority placements	(125)	
Direct payment - reduce contingency levels	(200)	
Review every package of care	(400)	
Look to work in collaboration with other Councils to reduce costs of expensive packages	(50)	
Speed up financial assessment process	(100)	
Income generation	(350)	
Self directed support	(59)	
Remove historic underspends	(70)	
Outreach team not filled	(280)	
Training and Overtime	(103)	
Review of parking	(60)	
Review and assessment of the Partnership overall management model	(560)	
Proactive Vacancy Management	(418)	(3,090)
Proposed use of Integration and Transformation Fund		(895)
2017/18 Funding allocated to Aberdeen City Health and Social Care Partnership		127,131
	Represented by: Adult Social Care	125,270
	Housing	1,861
Income		(41,962)
Net Transfer		85,169
* Approval has been given by the Integration Joint Board, at its meeting in April 2016, for a new senior management structure within the Health and Social Care Partnership. This is to enable the transformation and support the focus on transformation and locality working. Given the current scheme of delegation, approval from ACC is also required to establish new structure. Whilst these posts may be established in either NHS or ACC, the full effect is being presented. This is the full amount that may have to be charged against the Integration and Transformation Fund. It should be noted that not all of these posts will necessarily be filled by Council employees, as where posts are open to both employers, it may be that posts are filled by NHS Grampian employees and thus established there.		

Appendix 8 BUDGET PROTOCOL BETWEEN ACC, NHS GRAMPAN AND THE ABERDEEN IJB

BACKGROUND

With the inception of the Aberdeen City IJB in February 2016, Aberdeen City and NHS Grampian budget setting approaches will need to be adapted to take cognisance of the IJB. It is important that the IJB is allowed to undertake the duties that have delegated to it by the council and the health board under the Public Bodies (Joint Working) (Scotland) Act 2014. In accordance with the spirit of the legislation the council and the health board will no longer decide upon the strategic priorities for the delivery of delegated health and social care services, rather this will be the responsibility of the IJB.

However, the council and the health board will contribute a very substantial sum of money to the IJB and on this basis it is clearly important to give confidence to all elected members of council and board members of NHS Grampian about the types of services and strategic planning that the IJB will be considering. Through an agreed approach, it is hoped that the council and the health board will feel able to agree and support the strategic priorities of the IJB and budget appropriately for the money required for the IJB.

In the spirit of fostering closer pan public working it should however be borne in mind that both parent bodies (the partner organisations) do have significant legal responsibilities. In relation to the Council it has a statutory requirement to set a balanced budget each year and therefore this statutory obligation will take precedent as defined in the Local Government (Scotland) Act 1973 and other subsequent legislation. NHS Grampian is also expected by the Scottish Government Health Department to set a balanced budget each year.

There is a complexity to the IJB role that is important to understand. It identifies its strategic priorities and identifies the resource required to deliver these priorities and in theory then sets a direction to both of its partners (ACC and NHS Grampian) to fully fund these priorities. Of course, in reality, both partner organisations have many calls on their resource and will be unable to simply fund a set of priorities. The reality of this new complexity demands that the executive team of the IJB are fully aware of the financial pressures being faced by both partner organisations and that the articulation of priorities for funding purposes is done in partnership/negotiation with the executives of both partner organisations. Without such an approach, the risk to all parties is that a settled budget cannot be agreed.

In all of the complexity of the model, the key to success is that we maintain the sense of “we” that has been a feature to date i.e. -we are all in this together. Collaboration by definition requires a “we” that encompasses all relevant perspectives to enhance solutions and decisions. Expanding our sense of “we” involves building cooperative, collaborative, mutual working relationships by linking our ideas together to create something better than any of us could have done individually. It is important to create this sense of collaboration through building a collaborative approach to budgeting.

Stage 1 : EXECUTIVE ENGAGEMENT

i) Principle of Openness , Transparency and Engagement

It is important that an open book approach is taken across all 3 executive teams and that business is conducted on a “no surprises” basis. The ability of the IJB executive team to be sighted and involved in the respective budget processes and work in both organisations is essential.

ii) Approach to savings

There are 2 elements of engagement required. Firstly, the executive team of the IJB needs to manage the integration of thinking about cost savings between delegated NHS services and the city council adult services. Part of the rationale for integration of the systems is that it will drive out financial savings as a result of the elimination of duplication and waste between the 2 systems. Of course, historically, the 2 systems are only familiar with realising single system savings and so the management team will need to be very systematic in the identification of duplication and waste over the 2 systems. Secondly, of course, the IJB does not sit in isolation – it is part of the wider systems of ACC and NHS Grampian as well as being part of the whole Aberdeen “place” system. It is therefore critical that the IJB executive and management teams, engage with the wider systems of the ACC and NHS Grampian to identify scope for synergies and thus savings across these wider systems and also to ensure there are no unintended consequences on these wider systems from the saving decisions of the IJB, or on the IJB from cost reduction decisions taken by the Partners. Unless this wider engagement takes place, we are at risk of having created just another silo through the IJB

iii) Timing of Engagement

Engagement is critical throughout but critically important before the budget papers are formally presented to the council, any NHS forum and the IJB. It's important that the timings of these meetings and the associated disclosure is synchronised. Once the Scottish Government settlements for both partner organisations is known, including the details of any “conditions”, it is critical that the 2 CEO's, Chief Officer (Joint Accountable Officer) and 3 CFOs come together in order to navigate the IJB's priorities into a funding award based on the available resource to the parent bodies.

STAGE 2 MANAGING THE IJB BUDGET REQUEST THROUGH THE GOVERNANCE SYSTEMS OF ACC, NHS GRAMPIAN AND THE IJB

The IJB is essentially 100% funded by its 2 partner organisations, a not dissimilar situation from the ALEOs within ACC's group structure. The levels of savings required by any of the council's ALEOs are identified within the budget option papers presented to council but the exact details of how the target level of savings will be achieved are not identified. This approach has attempted to respect the role of the ALEO board in terms of its responsibilities to scrutinise such proposals and to then be the decision maker in terms of which savings options to accept. This approach has meant that these options have not been transparent to council and ultimately to the public at large. The scale of the IJB is vastly bigger than all the council's ALEOs put together and if we adopted the same approach to the IJB as we currently take to the ALEOs then effectively members would have no oversight of the specific saving options being considered.

In attempting to navigate a way through the complexity of roles and responsibilities in terms of decision making within the landscape of the IJB, it is important to pursue openness and transparency whilst respecting the distinct decision making rights of the IJB.

A suggested way forward is: the executive team of the IJB participate in the council's political engagement with all political groups and this will involve being open and transparent in all the budget options the executive team are considering presenting to the IJB. Members will need to respect that these options are being shared with them for information as opposed to for decision making. This represents the pre-budget setting engagement. At the formal budget setting council meeting, again there will be full disclosure of the proposed IJB budget options along with a reminder that these are being included for information and not debate or decision-making. Council will be required, as part of its overall budget, to determine the funding it can provide to the IJB and to formally agree that. It should be noted that this must be done in the context of the council setting a balanced budget by law and is still accountable for the disbursement of funds.

In light of the funding award from ACC and NHS Grampian, the executive team will then finalise the budget with the IJB who will have already made a decision in principle on which budget options to accept, pending final settlement and funding allocation from the 2 partner organisations. Given the minute of the IJB is now included as part of the CEO's progress report to council on the IJB, members will be informed of which options the board finally accepted.

This recommended approach serves the objective of openness and transparency whilst respecting the new decision making responsibilities of the IJB board.

SPECIFIC TIMESCALES FOR 17/18

Council is statutorily required to set its budget by 11th March each year. Of course, this is subject to having received its grant allocation from Scottish Government

For the 17/18 budget cycle, the following governance meetings are scheduled, with the described business:

- Aberdeen City Council – 22 February 2017 and within that budget will be an allocation for the IJB and will include a presentation of the budget options to be considered by the IJB board
- NHS Grampian - The IJB will receive an allocation from NHS Grampian which will be confirmed following confirmation of the NHS Board health allocations. Indicative allocations have been made in terms of baseline funding and Chief Officers advised accordingly. Details on other allocations will be presented to the Chief Officer when confirmed by Scottish Government. A detailed finance plan showing how the IJB will operate within the resources allocated by the partner organisations will be presented to the NHS Grampian Accountable Officer for review and assurance. Appropriate monitoring arrangements will be implemented to enable the NHS Grampian Accountable Officer to seek assurances on financial performance throughout the financial year.
- The IJB will agree an outline decision in principle on budget options at its meeting of the 31st of January 2017 and make a formal agreement and set a direction at its meeting in March 2017.

Appendix 9 – Options for a Non-Domestic Rates Relief

1. PURPOSE OF REPORT

The purpose of the report is for Elected Members to consider a hardship relief scheme on Non-Domestic Rates.

2. RECOMMENDATION(S)

Recommendations are contained within the body of the report.

3. LEGAL ISSUES

Legislation

Section 3A of the Local Government (Financial provisions etc.) (Scotland) Act 1962 (as amended by section 140 of the Community Empowerment (Scotland) Act 2015) allows the local authority, acting as rating authority under section 30 of the Local Government etc. (Scotland) Act 1994 to reduce or remit any rate leviable by it in respect of lands and heritages.

Any reduction or remission ceases to have effect at such time as may be determined by the rating authority.

Section 3A(4) states that the NDR scheme may make provision for business rates to be reduced or remitted by reference to:

- a) categories of land and heritage;
- b) areas;
- c) activities; or
- d) any other matters as may be so specified in the scheme.

The implication of section 3A(4) is that the local authority, acting as rating authority has wide discretion with regards to the terms of the scheme, subject to the scheme having clear, practicable and robust criteria for practitioners and ratepayers in order to ensure fairness and transparency.

Any reduction or remission ceases to have effect on a change in the occupation of the lands and heritages of which it was granted.

Before exercising the power to introduce a scheme, the local authority, acting as rating authority, must have regard to its income and expenditure and the interests of persons liable to pay council tax set by it (section 3A(6)).

Appeals against decisions of Assessors

Rate payers may appeal against their revaluation within 6 months of the date of issue of the Valuation Notice or the 30 September 2017, whichever is later.

The last date for the disposal of appeals from the 2017 revaluation is 31 December 2020 (Valuation Timetable (Scotland) Order 1995/164 as amended by the Valuation Timetable (Scotland) Amendment order 2015/51.

Section 9 of the Local Government (Scotland) Act 1975 states that rates must be paid until the determination of the appeal. Therefore, the need for immediate relief may be required by some rate-payers. It is foreseeable that if there is a high volume of appeals, decisions from the Valuation Appeals Committee may be delayed.

State Aid

State aid is financial assistance, given by the public sector to an “undertaking” (i.e. an entity which is engaged in “economic activity” where there is a market in comparable goods or services) on a discretionary basis, which has the potential to distort competition and affect trade between Member States of the European Union. “Economic activity” means offering goods and/or services on a given market and which could, at least in principle, be carried out by a private operator for remuneration in order to make profits. A company, partnership, sole trader or even a charity could be an “undertaking” for state aid purposes.

State aid is generally prohibited subject to certain exemptions.

In the event that the rules on state aid apply a recipient of financial assistance is permitted to receive up to €200,000 over a 3 year fiscal period (de minimis aid). The €200,000 ceiling includes all public assistance given as de minimis aid during that period. The eligibility criteria of the scheme could mitigate the risk of the rules on state aid applying by requiring the applicant to disclose all sources of public assistance received over the current and two preceding fiscal years when making an application.

It is standard practice that schemes, whereby the local authority proposes to provide financial assistance to undertakings, are passed to the Scottish Government State Aid Unit for further analysis. Discussions are ongoing with the State Aid Unit and officers will be in a position to update Members at the Council budget meeting on 22 February 2017 with the view from the State Aid Unit.

FINANCIAL IMPLICATIONS

The Council was provided a draft valuation roll from the Grampian Joint Valuation Assessor which provided rateable values for the valuation roll by individual entry (i.e. property) and showed that the rateable value for Aberdeen City will increase from the current roll of £480 million to approximately £584 million.

The Council has had to rely on this data in assessing any local scheme and it should therefore be noted that the quantifiable financial impact on Council is based on draft data and could be subject to change. Further, until the data can be uploaded into the NDR System exact details on impact cannot be verified.

However, the financial assessment carried out is likely to be costed in the higher cost bracket rather than the lower end. Depending on the final option chosen the cost to the Council will vary from an income generating £0.42 million (Option 2) to a cost of £26.7 million (Option 3).

Under the Community Empowerment Act if the Council decides to implement a local relief scheme the Council must ensure that any reduction is fully funded by the local authority and before exercising the power to create such a scheme, it must have regard to its expenditure and income and the interests of persons liable to pay council tax set by it.

Therefore, in determining the Council's General Fund budget the cost of any scheme must be included within the overall budget to ensure that the Council sets a balanced budget.

4. OTHER IMPLICATIONS

The cost pressure associated with the introduction of such a scheme has not been factored in to the cost pressures shown in Appendix 5, and if Council elects to introduce such a scheme, it will need to select service options from Appendix 6 to offset this cost pressure. Given that the Council has only received a one year settlement, officer advice would be that Council considers on an annual basis whether it wishes to continue with such a scheme.

5. BACKGROUND

Business Rates, or Non-Domestic Rates (NDR), are an annual tax based on the value of the business, commercial and public sector property that they occupy. They are calculated using the Rateable Value (RV) of the property (set by regional assessors) multiplied by a poundage rate set by the Scottish Government - until 1 April 2017, this is 48.4% of a property's value. A revaluation by the Assessor has set the RV for a five-year period which will come into effect on April 1 2017.

The implications for businesses are that the new values are based on a 'tone date' of two years previously, 1 April 2015. The implications for businesses in Aberdeen and the north east of Scotland is that at that time, the effects of the then recent oil and gas downturn, had not yet fed through to the wider economy. Currently however, the indications are that the down turn is having an impact on local businesses, and with the increased rates liable from the proposed rateable values, there is a concern that businesses would be materially affected in the context of the wider effects of the decreasing oil price.

According to ONS data there are 10,040 enterprises occupying 11,775 business units, supporting an estimated 188,000 jobs in Aberdeen. This equates to a working age employment density of 1.2 jobs per resident person well above the Scottish average of 0.79, and the highest in Scotland. Officers have undertaken an analysis of Council records and the Assessor's records of current rateable properties and their rateable value:

- Currently 1,810 businesses receive 100% rates relief while 564 receive partial rates relief. From 1 April 2017, we estimate around 2,000 businesses could receive 100% rates relief and 300 could receive partial rates relief.

- 2,648 businesses currently pay larger business supplement (LBS). From 1 April, LBS threshold rises from a rateable value of £34,000 to £51,000. We estimate this will reduce the number of businesses paying the LBS to around 2,300-2,400.
- From 1 April, rateable value of properties in Aberdeen will increase by 21.6% or £103.7m. Within this, the sectors with some of the largest increases in rateable values, with the corresponding estimated employment in these sectors shown below.

Category	£ Increase in Rateable Value	% Increase in Rateable Value	Number of Employees (ACC estimated, SIC)
Hotels	£5.0m	35%	3,000
Restaurants	£0.9m	13%	8,250
Public House	£1.1m	19%	1,750
Offices	£19.7m	19%	45,000
Shops	£4.5m	11%	13,000
Universities / Colleges	£1.5m	21%	4,000
Car Parks	£1.9m	51%	100
Serviced/Non-Serviced Accommodation	£3.2m	142%	200
Warehouse and Workshops	£29.6m	38%	5,000
	£67.4m		80,300

Broadly this indicates an upward cost pressure on local businesses, with some individual companies that are facing significant increases to their bills going forward. Potentially a response to these increased costs could see employment losses as businesses seek to contain these pressures. This could be mitigated by a local relief scheme for those businesses that are materially affected by their increased bills.

Population

The Assessor's records are based on the number of business properties and the corresponding postal address. In full, there are 8,645 records. For the purposes of the analysis, we assume that in general terms, a 'business property' equates to a 'business'. From the larger data base, we have adjusted this as follows:

- 504 Oil and Gas companies have not been included in the general scheme option. However recognising the international dimension of these companies, a separate option for these companies oil and gas companies is discussed (options 10a-c).
- The 4,205 properties with proposed rateable values below the £15,000 threshold for entitlement to full relief have been excluded from this analysis and therefore any relief scheme (this is likely to include charities and many other publically owned properties). This number is greater than the 1,810 businesses currently receiving 100% rates relief as rates liability is cumulative so a lot of the smaller entries for property in the assessor data are added into the main businesses entries. For example, roundabouts all get added to the Council's main entry so are not considered for rates relief as cumulatively they exceed the relief threshold.
- Having excluded oil and gas companies and properties already entitled to full rates relief this leaves 3,916 properties in the analysis.

It has not been possible to identify and exclude all the properties of all other business premises that are eligible for relief under the current system (such as charities) nor all the properties of businesses that we would not want to have entitlement to a local rates relief scheme (such as public sector bodies). It is also not possible to identify where properties where more than one property has the same owner for the purposes of calculating rates liability. For the analysis in this report multiple ownership has not been considered.

When the final assessor data is made available, and officers upload that into the Council's Non-Domestic Rates system, we will be able to identify and exclude such businesses, so these estimates should be treated as broad upper end estimates. Multiple ownership information would also then be available.

Because the assessor dataset is based on postal address, we do not have precise information on the corresponding business name, and the industry sector they operate in. Within the 'offices' category in the data set, this may include a range of businesses operating in different industry sectors. With the final assessor data available, further analysis would allow officers to understand better the nature of companies in this broad category that would benefit from any scheme.

Options for a Transitional Relief Scheme

From the analysis above, a number of possible options for a relief scheme emerge. These are summarised in the table below with an estimated annual cost to the Council and an estimate of the business properties that could be included in a scheme.

For each option, we have assumed that maximum assistance of €200,000 under the State Aid 'de minimis' rules is applied. Therefore the estimates below assume that all awards under a potential scheme would be 'eligible' from a State Aid perspective. However, as the State Aid threshold also includes any other awards from public sector sources, we have not accounted for this.

In addition to determining the scope of the scheme as per the range of options provided, Council will also have to determine specific eligibility criteria

Eligibility Criteria

The eligibility criteria listed below are indicative of the conditions that could be applied to applications for NDR relief. Additional advice should be sought from the Scottish Government State Aid Unit if the scheme is deemed subject to state aid rules to ensure the eligibility criteria is in compliance with the *de minimis* rule (i.e. aggregate public funds including relief provided from the scheme do not exceed €200,000):

- a) The recipient is liable to pay non-domestic business rates to Aberdeen City Council.
- b) The recipient is required to mitigate its losses by appealing its re-evaluation to the Valuation Appeal Committee and providing adequate evidence to satisfy Aberdeen City Council that they have done so.

- c) Eligibility for the relief will apply from the date of application and not retrospectively.
- d) The recipient is required to disclose all sources of public assistance received over the three years preceding the application. Recipients will not be eligible for the relief scheme if they have received €200,000 of public assistance over the three years preceding the application. Recipients may only be eligible for partial relief, if they have received public assistance over the three years preceding the application, not exceeding €200,000 of the aggregate public assistance received from all sources.
- e) In the event that the recipient successful in their appeal to the Valuation Appeal Committee any overpayment plus interest must be offset against any relief received between the date of application for relief and the date of the Committee decision.

Other criteria to be considered include:

- Review of management accounts as evidence of hardship
- Historical performance – has the company a good record and is up-to-date with payments of NDR;
- Based on precedent of previous applications in England and Scotland, the applicant would need to provide evidence that:
 - The circumstances are deemed to be exceptional (external to the ratepayer, beyond the normal business risk, unavoidable and unforeseen);
 - That those exceptional circumstances have result in hardship;
 - The business will remain viable;
 - Any award is fair to other businesses;
 - It is reasonable to expect the Council Tax Payers to cover the cost.

Table: Non-Domestic Rates Transitional Relief Scheme – Options for determining the parameters of the scheme

Option	Description	Annual Financial Implications	Number of Properties Affected (total eligible properties 3,916)	Rationale
Option 1a	Raise the full relief Small Business Bonus Scheme threshold from £15k to £17k	£1.9m	255 (7%)	All categories/ sectors included Only properties with lower rateable values included
Option 1b	Raise the 25% Small Business Bonus Scheme partial relief threshold from £18k to £23k	£1.1m	451 (12%)	All categories/ sectors included Only properties with lower rateable values included
Option 2	Lower the Larger Business Supplement to £40k from the proposed £51k	(£0.42m) - revenue	362 (9%)	All categories/ sectors included
Option 3a – increase in rates bill of over 30%	Provide 100% relief on the increase	£26.7m	1,503 (38%)	All categories/ sectors included Only those with largest % increases included Greater coverage
Option 3b - increase in rates bill of over 30%	Provide 50% relief on the increase	£13.5m	1,503 (38%)	All categories/ sectors included Only those with largest % increases included Greater coverage

Option	Description	Annual Financial Implications	Number of Properties Affected (total eligible properties 3,916)	Rationale
Option 3c - increase in rates bill of over 30%	Provide 25% relief on the increase	£6.7m	1,503 (38%)	All categories/ sectors included Only those with largest % increases included Greater coverage
Option 4a – increase in rates bill of over £50,000	Provide 100% relief on the increase	£13.3m	144 (4%)	All categories/ sectors included Only those with largest £ increases included Less coverage
Option 4b – increase in rates bill of over £50,000	Provide 50% relief on the increase	£7.0m,	144 (4%)	All categories/ sectors included Only those with largest £ increases included Less coverage
Option 4c – increase in rates bill of over £50,000	Provide 25% relief on the increase	£3.5m	144 (4%)	All categories/ sectors included Only those with largest £ increases included Less coverage

Option	Description	Annual Financial Implications	Number of Properties Affected (total eligible properties 3,916)	Rationale
Option 5a – increase in rates bill of hotels, guest houses, restaurants and pubs of over 30%	Providing 100% relief on the increase	£2.5m	181 (5%) (Being hotels & guest houses 127, restaurants 14, pubs 40)	Only the defined hospitality sector is part of the relief scheme
Option 5b – increase in rates bill of hotels, guest houses, restaurants and pubs of over 30%	Providing 50% relief on the increase	£1.3m	181 (5%) (Being hotels & guest houses 127, restaurants 14, pubs 40)	Only the defined hospitality sector is part of the relief scheme
Option 5c – increase in rates bill of hotels, guest houses, restaurants and pubs of over 30%	Providing 25% relief on the increase	£0.6m	181 (5%) (Being hotels & guest houses 127, restaurants 14, pubs 40)	Only the defined hospitality sector is part of the relief scheme
Option 6a – increase in rates bill of shops of over 30%	Providing 100% relief on the increase	£2.5m	407 (10%)	Only shops are part of the relief scheme.
Option 6b – increase in rates bill of shops of over 30%	Providing 50% relief on the increase	£1.2m	407 (10%)	Only shops are part of the relief scheme.

Option	Description	Annual Financial Implications	Number of Properties Affected (total eligible properties 3,916)	Rationale
Option 6c – increase in rates bill of shops of over 30%	Providing 25% relief on the increase	£0.6m	407 (10%)	Only shops are part of the relief scheme.
Option 7 – ‘Hybrid’ (1a and 3c combined)	Combination of increased relief for small business plus other businesses with an increase in rates bill of over 30%	£8.6m	1,758 (45%)	All categories/ sectors included Only those with largest % increase and lower rateable values are part of the relief scheme.
Option 8 – ‘Hybrid’ (3c and 4c combined)	Combination of businesses with an increase in rates bill of over 30% or increase in rates bill of over £50k or both	£8.3m	1,592 (41%)	All categories/ sectors included Broadest definition of large increases included. All those with largest £ increases or those with largest % increases or both included Greater coverage
Option 9 – increase in rates bill of 30%	Limiting any proposed increases in rates bills to 30% of the current value	£10.4m	1,503 (38%)	All categories/ sectors included
Option 10a – Oil & Gas increase in rates of over 30%	Providing 100% relief on the increase	£2.9m	66 (13% of oil and gas companies)	Only oil and gas companies are part of a relief scheme.

Option	Description	Annual Financial Implications	Number of Properties Affected (total eligible properties 3,916)	Rationale
Option 10b – Oil & Gas increase in rates of over 30%	Providing 50% relief on the increase	£1.4m	66 (13% of oil and gas companies)	Only oil and gas companies are part of a relief scheme.
Option 10c – Oil & Gas increase in rates of over 30%	Providing 25% relief on the increase	£0.7m	66 (13% of oil and gas companies)	Only oil and gas companies are part of a relief scheme.

6 IMPACT

IMPACT ON COUNCIL TAX PAYER

As previously indicated if the Council decides to implement a local relief scheme the Council must ensure that any reduction is fully funded by the local authority and before exercising the power to create such a scheme, it must have regard to its expenditure and income and the interests of persons liable to pay council tax set by it.

In assessing the impact it should be noted that the Scottish Parliament passed legislation which will increase the Council tax bands E to H and these households will therefore be liable to additional Council Tax for the financial year 2017/18. This will impact these bands as follows:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Current Charge	820.26	956.97	1,093.68	1,230.39	1,503.81	1,777.23	2,050.65	2,460.78
Revised Charge	820.26	956.97	1,093.68	1,230.39	1,616.60	1,999.38	2,409.51	3,014.46

Further, in setting the budget for 2017/18 Council should have regard to its proposals to set a balanced budget as set out in the main body of the report to which this report is an Appendix.

Likely impacts will include:

- Any saving option to which the Council may wish to approve;
- Any Council Tax increase that it may choose to approve. Please note that the conditions attached to the financial settlement indicate that any increase to Council tax should not exceed 3%. The impact of this on Council tax payers by Band is:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Current Charge	820.26	956.97	1,093.68	1,230.39	1,503.81	1,777.23	2,050.65	2,460.78
Revised Charge with Multiplier and 3% Increase	844.87	985.68	1,126.49	1,267.30	1,665.09	2,059.37	2,481.80	3,104.89

IMPACT ON THE NON-DOMESTIC RATE PAYER

A relief scheme could help by mitigating against some of the increases in costs that businesses face as a result of the large increases in NDR.

7. MANAGEMENT OF RISK

The following risks are identified from implementing a NDR relief scheme:

Legal challenge to the scheme

The NDR relief scheme (like any action of Aberdeen City Council) could be legally challenged by way of judicial review. For example, on the basis that sufficient regard to relevant factors, such as the interests of persons liable to pay council tax, have not been taken into account during the decision making process. The risk of challenge will be minimised by having due regard to the provisions of section 3A of the Local Government (Financial provisions etc.) (Scotland) Act 2015, and ensuring that Members are aware of the potential impact on council tax payers, in accordance with section 3A(6), when making a decision on implementing a relief scheme.

State Aid

If the rules on state aid apply and are breached there is the potential that: the aid payment could be halted; the recipient could be required to repay the aid, plus interest; aggrieved competitors may seek legal action for damages; or the EU Commission could commence infringement procedures against the United Kingdom possibly resulting in a fine. If, following advice from the Scottish Government State Aid Unit, it is concluded that the rules on state aid apply then further advice will be sought with a view to utilising the *de minimis rule* mentioned above.

Data

The Council has had to rely on draft assessor data in assessing any local scheme and it should therefore be noted that any figures or financial impact will be reliant on this draft data and will therefore change. Further, until the data can be uploaded into the NDR System exact details on impact cannot be verified.