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To: Councillor Lumsden, Convener; Councillor Graham, Vice Convener; Councillor Donnelly, the Depute Provost; and Councillors Boulton, Flynn, Laing, Catriona Mackenzie, Nicoll and Yuill.

Town House,  
ABERDEEN 25 October 2018

## **CITY GROWTH AND RESOURCES COMMITTEE**

The Members of the **CITY GROWTH AND RESOURCES COMMITTEE** are requested to meet in **Committee Room 2 - Town House** on **WEDNESDAY, 31 OCTOBER 2018 at 2.00 pm.**

FRASER BELL  
CHIEF OFFICER - GOVERNANCE

### **BUSINESS**

#### **DECLARATIONS OF INTEREST**

1.1 Declarations of Interest

#### **GENERAL BUSINESS**

2.1 Council Financial Performance – Quarter 2, 2018/19 - RES/18/205 (Pages 3 - 46)

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## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	City Growth and Resources
<b>DATE</b>	31 October 2018
<b>REPORT TITLE</b>	Council Financial Performance – Quarter 2, 2018/19
<b>REPORT NUMBER</b>	RES/18/205
<b>DIRECTOR</b>	Steven Whyte
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Lesley Fullerton
<b>TERMS OF REFERENCE</b>	1.3

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### 1. PURPOSE OF REPORT

1.1 To provide the financial position of the Council, as at Quarter 2 (September 2018) and the full year forecast position for the financial year 2018/19, including:

- General Fund and Housing Revenue Account (HRA) revenue and capital accounts and the associated Balance Sheet; and
- Common Good Revenue Account and Balance Sheet.

### 2. RECOMMENDATION(S)

2.1 It is recommended that the Committee note the: -

- a) Progress made in the first half of the year to achieve budgeted savings;
- b) General Fund and HRA financial performance to the end of Quarter 2 as detailed in Appendix 1;
- c) Common Good financial performance to the end of Quarter 2 as detailed in Appendix 3;
- d) General Fund forecast revenue and capital positions as detailed in Appendix 2;
- e) HRA forecast revenue and capital positions as detailed in Appendix 2;
- f) Common Good forecast position as detailed in Appendix 2; and
- g) Group Entities forecast revenue position as detailed in Appendix 4.

2.2 To note the advice provided by the Chief Officer – Finance in paragraphs 3.13 and 3.14, that the Council must continue to be proactive in its financial planning arrangements and to prepare for and respond to the range of cost pressures and uncertainties described in the report and appendices, and to recommend:

## General Fund Revenue

- a) to instruct the Corporate Management Team to the Corporate Management Team to stop and reduce net expenditure wherever possible with immediate effect.

### **3. BACKGROUND**

- 3.1 This report focuses on both the financial performance for the year to 30 September 2018 and the forecast financial position for the full year for the Council's General Fund, Housing Revenue Account and Common Good.
- 3.2 The performance for the year to date has so far been a positive one with net expenditure largely in line with budget for this stage of the year.
- 3.3 Savings realisation and tracking at the half year point indicates significant progress being made towards achieving all the savings that were agreed, with over 75% so far captured. This can be summarised as follows:

Description	Target Reduction	Achieved Reduction at end of Quarter 2
Posts reduction	370 fte; with a value of £10.4m	330 fte; with a value of £9.9m
Assets	£0.7m	£0.5m
Commissioning and procurement	£6.8m	£3.3m
Income	£0.2m	£0.0m
<b>Total</b>	<b>£18.1m</b>	<b>£13.7m</b>

- 3.4 A significant proportion of the posts reduction savings have been achieved through the voluntary severance / early retirement scheme. The costs associated with the scheme continue to be a pressure against the Council Balance Sheet, legitimately using one-off funding for recurring revenue benefit. The one-off nature of Balance Sheet resources makes the continuation of posts reduction through this means unsustainable. Other means of managing and planning the workforce size and shape are therefore required and it is expected that the management of staff turnover and vacancies will be a feature of that approach.
- 3.5 Notwithstanding this positive start to the year, there were cost and demand pressure areas highlighted in Quarter 1 reporting that at the end of Quarter 2 continue to be challenging to manage in-year. These are described in more detail in Appendix 2.
- 3.6 The forecasts are built upon a range of assumptions, estimates and judgements. The budget set for this financial year was based on lifting the pay cap as described by the Cabinet Secretary for Finance and the Constitution in December 2017. Since then the offer made by the Employer side has a cost impact that is greater than had been budgeted. The additional cost amounts to £0.6m and is included in the forecasts. However, the Employee side as represented by the Trade Unions, are currently balloting on

whether to accept the employer offer for all categories of staff and it is understood that all trade unions have called for their members to reject the offer. Ballots end between mid-October and mid-November 2018.

- 3.7 An increasingly protracted period to resolve this part of the budget leaves the Council trying to manage one of the largest annual cost pressures it faces towards the end of the financial year, uncertain of what the outcome will be.
- 3.8 The full year impact of an additional 1% increase in any pay award settlement would cost the Council approximately £3.2m and with EIS expectations of a 10% increase for teachers this would represent a 7% increase on current forecasts. If on the basis of equity this was applied to all staff categories then the impact on the Council would be over £20m of additional cost.
- 3.9 The fact is that the Council is no clearer on the outcome than it was when reporting the quarter one position in early summer. Clearly, as part of national pay bargaining, council will honour the terms of the final agreement reached and will ensure are remunerated accordingly. However, the question remains in terms of how, within the remaining 5 months of the financial year, council can finance an unknown liability.
- 3.10 My professional advice would be that funding the pay award, being a recurring cost, should not be committed against contingencies. These exist to mitigate financial risks the council may face and other financial unknowns. For example, the severity and therefore cost of winter maintenance is not predictable. In addition, we face an obligation under the Integration Joint Board's Integration Scheme to fund over spending, where contributions are based on the proportionate share of the baseline payments to the Board, regardless of where the over spending has occurred.
- 3.11 Emerging issues add to the level of uncertainty and a contingent liability in the 2017/18 accounts, Scottish Child Abuse Inquiry, has a number of strands that could impact on the Council. The recommendations that the financial redress scheme for Survivors of Child Abuse in Care being put in place by the Scottish Government will be funded by those responsible. The implication being that Councils will have to fund a proportion of this scheme, while no details exist of how this will be applied it provides another reason to be taking action to prepare.
- 3.12 The result, of the combined effect of positive progress around agreed savings, the identified cost pressure areas and underlying uncertainties and risks, is that the overall operational conditions are pressuring the Council and action is required to release this.
- 3.13 My advice is that the Council must continue to be proactive in its financial planning arrangements to prepare for and respond to the range of cost pressures and uncertainties described. I have taken a prudent view that action is required now to achieve a reduction in the level of expenditure being incurred in the General Fund specifically, so that the Council is as prepared as can be to deal with the uncertainty by protecting the level of contingencies

it has available in the General Fund and avoid the use of one-off funding streams.

- 3.14 In addition to all the actions underway by the Extended Corporate Management Team to manage the financial position, I am recommending that the Committee instruct the Corporate Management Team (CMT) to stop and reduce General Fund spending wherever possible.
- 3.15 To be clear, the recommendation excludes capital investment in the capital programme and expenditure on the Housing Revenue Account, which is expected to continue in line with its business plan. Clearly, the decision to stop spending needs to take cognisance of impact on our vulnerable communities as well as policy and legislative obligations. Therefore I have asked that CMT identify the spending categories which the freeze will be applied to.
- 3.16 The forecast, contained in Appendix 2, is for reasons of presentation quantified as a specific value, a small over spend of £0.8m, and does not reflect the range of scenarios that could be achieved if the individual elements that make up the current forecast prove to be different. I have taken a prudent view of what may be possible to achieve to address the pressure areas described in the budget, to minimise and protect the contingencies not yet used. With the action being taken to reduce expenditure, it is reasonable to estimate that the current forecast sits within a range:

Assumption	Impact
Improve income and collection levels and expenditure levels lower than currently forecast.	Potential surplus achieved at year end.
<b>Actual spending and income in line with forecasts, estimates and judgements at Quarter 2. (Appendix 2)</b>	<b>Forecast of £0.8m over budget.</b>
Additional cost pressures from, for example a severe winter, a higher pay award and additional demand pressures.	10% pay award for teachers would lead to a potential deficit of £7m at year end.

- 3.17 Summary of Appendices
- a) The financial statements contained within Appendix 1 reflect the income and expenditure for the period to September 2018 and reflect some of the statutory accounting adjustments required to ensure compliance with International Financial Reporting Standards (IFRS). These adjustments are described in the Appendix.
- b) The Balance Sheet figures at 30 September 2018 reflect the actual position at the balance sheet date where appropriate. The figures shown include statutory adjustments where these have been made, and where this is not possible the figure as at 31 March 2018 has been used. Reserves have been updated to reflect the impact of the performance to date such that Usable

Reserves have increased during the period. Due to the timing of the receipt of income from the Scottish Government and Non-Domestic Rates payers there is currently a significant net income position shown at 30 September 2018.

- c) Appendix 2 provides an overview of the forecast outturns for revenue and capital across the General Fund, Housing Revenue Account and Common Good. The uncertainty in relation to the General Fund is identified in the preceding paragraphs of the report and the Appendix presents the forecast based on a set of assumptions, estimates and judgements, which would result in a small over spend. The forecasts for Capital, the Housing Revenue Account and Common Good are all within budget.
- d) Appendix 3 presents the Common Good position as at 30 September 2018 and provides an overview that shows income exceeding expenditure for the period and therefore an increase in the value of the Common Good.
- e) Appendix 4 presents the Group Entities forecast for the year and indicates that there are no material areas of concern in relation to these entities for 2018/19.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 The financial performance of the Council's main accounts, General Fund, Housing Revenue Account and Common Good are presented in the Appendices.
- 4.2 Appendix 1 also includes a Management Commentary providing:
  - Further information on the Performance in Quarter 2; and
  - Information on the 2018/19 Forecast Financial Position, and this is expanded on in Appendix 2.
- 4.3 The audited accounts for 2017/18 demonstrated the Council's ability to effectively and actively manage its financial position. The Balance Sheet as at 31 March 2018 reflected substantial net worth in the organisation and a strong financial platform from which to operate in 2018/19 and to plan for the future.
- 4.4 The budget set for 2018/19 recognised that this would be another financially challenging year and that strong fiscal management coupled with financial restraint would be required to ensure that the budget was achieved, and that this would continue to underpin the Balance Sheet for future financial years.
- 4.5 The financial constraint described in the report is necessary based on the forecasts at Quarter 2 and due to the level of uncertainty in significant cost areas, described in section 3 and Appendix 2.
- 4.6 The Council continues to tackle increased demand and active management of elements of the budget that remain uncertain, and this requires continuous close fiscal management. Close monitoring of the elements of cost control is

being put in place to complement the savings tracking that is already in place. This monitoring is expected to provide prompt reporting of how expenditure levels and income collection is changing so that the Extended Corporate Management team is assured that the action is having the desired effect and to enable further actions to be taken.

- 4.7 The impact of expenditure exceeding budget on the General Fund at the year-end would be a draw from the General Fund balance that the Council keeps as part of its risk-based Reserves Policy.
- 4.8 The Housing Revenue Account and Common Good are forecast to end the year on or within budget therefore will maintain or increase the current value of their Balance Sheet resources.

## 5. LEGAL IMPLICATIONS

- 5.1 While there are no direct legal implications arising from the recommendations of this report, there are additional reporting requirements due to the London Stock Exchange listing, for example the requirement to notify them ahead of publication of the report.

## 6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
<b>Financial</b>	The main financial risk the Council is managing is the increased demand on services.	L	Reviewing all areas of expenditure with a view to only incurring essential expenditure.
	The risk around the final cost of the pay award is significant for the Council given the proportion of the budget that is pay related.	M	Current forecasts are based on the pay offer by Employers, ensuring fiscal restraint is exercised in the second half of the year will provide assurance that future unknown costs can be met from within existing resources.
	In relation to capital projects there is a risk that following the procurement process, tendered costs will vary from that assumed at the time of project approval.	M	Quantification and review of indicative project costs by suitably qualified staff or external body where appropriate.



<b>Legal</b>	None identified		
<b>Employee</b>	There is a risk that changes to budgeted expenditure levels and fiscal restraint will impact on the number of employees working in the Council.	M	Impact assessments can be carried out to identify impact of fewer staff and active management of tasks, including prioritisation and a focus on productivity.
<b>Customer</b>	There is a risk that changes to budgeted expenditure levels and fiscal restraint will impact on the customer experience.	M	Prioritisation, a focus on productivity and active management of services using the TOM principles to minimise effects.
<b>Environment</b>	None identified		
<b>Technology</b>	None identified		
<b>Reputational</b>	There is a risk that through the reduction of expenditure the Council may be criticised that spending isn't in line with budgets.	H	The Council has continued to address priority spending areas, and to protect people. It is equally accountable for the use of public funds and to ensure that they are managed robustly. There are a wide range of unknown external factors that require to be balanced to deal with the current operating environment.

## 7. OUTCOMES

<b>Local Outcome Improvement Plan Themes</b>	
	<b>Impact of Report</b>
<b>Prosperous Economy</b>	The Council continues to plan for spending hundreds of millions of pounds in 2018/19 and to invest in front-line services across its statutory responsibilities as well as capital infrastructure. Investment in the city will have a positive impact on the economy.
<b>Prosperous People</b>	Robust and effective management of the Council's finances will ensure that services can continue to be provided.
<b>Prosperous Place</b>	Investment will enhance the place by creating a better and more vibrant city in which to live.

This report does not impact on the design principles of the Target Operating Model.

## 8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

## 9. BACKGROUND PAPERS

None.

## 10. APPENDICES

Appendix 1 – Financial Statement for the period ending 30 September 2018

Appendix 2 – Forecast Financial Position for the year 2018/19

Appendix 3 – Common Good Financial Statement for the period ending 30 September 2018

Appendix 4 – Group Entities Forecast Financial Position for the year 2018/19

## 11. REPORT AUTHOR CONTACT DETAILS

Jonathan Belford  
Chief Officer – Finance  
[jbelford@aberdeencity.gov.uk](mailto:jbelford@aberdeencity.gov.uk)  
01224523127

Lesley Fullerton  
Finance Operations Manager  
[fullerton@aberdeencity.gov.uk](mailto:fullerton@aberdeencity.gov.uk)  
01224 346402



**FINANCIAL STATEMENT  
FOR THE PERIOD ENDING  
30 SEPTEMBER 2018**

**Contents**

Management Commentary	2
Movement in Reserves Statement	5
Expenditure & Funding Analysis	6
Comprehensive Income and Expenditure Statement	8
Balance Sheet	9
Cash Flow Statement	13

## Management Commentary

The purpose of the management commentary is to inform readers, helping them to assess how the Council is performing and understand our financial performance for the quarter to 30 September 2018.

It also provides an insight into the expected financial performance for the remainder of the financial year 2018/19, the challenges we face and how we will address these challenges to provide stability, financially, thus allowing our citizens to have confidence that we can continue to provide the diverse portfolio of services on which they rely.

## Background

During 2016/17, Aberdeen City Council became the first local authority in Scotland to be awarded a credit rating and subsequently secure funding towards its capital investment programme, by issuing bonds of £370 million on the London Stock Exchange (LSE).

The credit rating must be maintained over the term of the bonds with the credit rating agency conducting a review at least once every twelve months. The first annual review of the Council's credit rating was undertaken during October 2017, with positive affirmation of the rating issued during November 2017 and reported to the Finance, Policy and Resources Committee on 1 December 2017. The next review will take place in November 2018.

As a result of the Local Outcome Improvement Plan 2016-2026 (LOIP) the Council undertook to transform its business structure. On 1 April 2018 the Council moved to its new structure, known as the Target Operating Model (TOM). This represents a complete change in how the Council manages and deliver its services to the people and place of Aberdeen. The structure has moved from 5 Directorates to 6 Functions – Operations, Customer, Commissioning, Place, Resources and Governance, which will be reported quarterly along with the Integrated Joint Board. Further details of the responsibilities of each function can be found on pages 2 and 3.

## Our Financial Performance

### • Performance to end of Quarter 2

In March 2018, the Council set its General Fund and Housing Revenue Account (HRA) revenue and capital budgets for the financial year 2018/19. Performance for the year is measured against these budgets with the forecast full year position considered in a later section of this report. This section focuses on the actual financial results for the period 1 April to 30 September 2018, presented in the format of our Annual Accounts on pages 5 to 10.

The Expenditure and Funding Analysis provides details of the net expenditure or income position for each service based on actual transactions for the period and the statutory accounting adjustments processed to date.

Overall performance on savings targets has been tracked throughout the year and at the half year point 75% of the £18m of savings that had been agreed in the budget have been achieved. The profile of these savings across Function is not even therefore the impact from reduced staff numbers, the cost of goods and services and income targets varies for each one.

1. Operations brings together the leadership of the Council's 'in house' delivery functions. It is specifically aimed at the removal of service specific delivery silos and behaviours and charged with joining up our delivery, adapting to meet demand and continuous operational improvement.

At 48% against the full year budget, the services net expenditure for the year to date is slightly under budget. The Service is currently managing a number of cost pressures, including commissioning of fostering, out of authority placements for children and self-directed support which may affect performance in future quarters. These are areas where decision making and control doesn't sit solely within the Service. Other information is described in Appendix 2.

2. Customer is responsible for managing all internal and external customer contact. It brings together housing, libraries, community learning, community safety and locality planning to support the development of sustainable communities and enable individuals to manage their own lives. There will be a focus on creating digital services for customers that are easy to use and improving access to services. It will be responsible for providing external communications, advice and support to ensure effective communications with external audiences, and to promote the reputation of the Council.

At 34% against the full year budget, the function's net expenditure for the year to date is below budget. This is due to the profiling of the budget for HRA specific expenditure. The Service is currently managing pressures in relation to housing access and support in relation to income from accommodation, payments to landlords, and property repairs. Other information is described in Appendix 2.

3. Housing Benefits – whilst the Housing Benefits service sits within Customer it is reported separately to comply with accounting standards.

4. Commissioning is responsible for both commissioning and procuring the best service/partner to deliver the agreed outcomes of the new structure. Business Intelligence and Performance Management also sits within Commissioning. They will be responsible for identifying social, economic and digital trends of the city in the future and how the Council can meet these needs. This function will also be responsible for managing and monitoring the service -level agreements with the Council's Arm's Length External Organisations (ALEOs).

At 50% against the full year budget, the services net expenditure for the year is as expected.

5. Resources is responsible for the selection, retention and development of the Council's staff and the financial planning, monitoring and reporting of the Council. They manage the development of design and delivery of all strands of capital including the city centre masterplan, city region deal investments, the schools estates strategy, roads infrastructure and housing. The Corporate Landlord aspect is responsible for the commercial and non-commercial land and property assets, facilities management and council housing stock management.

At 8% against full year budget, the service's net expenditure for the year is below budget due to the effect of timing of cashflows. Further information is provided in Appendix 2.

6. City Growth will represent the Council and the City of Aberdeen on local, regional, national and international stages with key responsibilities for outward trade, a diverse employability and skills base, and a focus on tourism, culture and the development of a city events programme.

At 46% against the full year budget, the services net expenditure for the year is slightly under budget. However, the service is managing pressures and these are described in Appendix 2.

6. Strategic Place Planning's focus is to enable, facilitate and deliver Strategic Place Planning which includes all of the transport, environment, housing, building, planning and digital initiatives that will help to deliver major infrastructure projects.

At 44% against full year budget, the services net expenditure is below budget. Income is a critical element of the budget and more information is provided in Appendix 2.

7. Governance includes Legal Services, Democratic Services, Audit, Policy, Emergency Planning and Corporate Health & Safety.

At 50% against the full year budget, the services net expenditure for the year is in line with expectations.

8. Integration Joint Board (IJB) / Adult Social Care is responsible for the provision of health and social care services to adults, with the expenditure incurred being on services which the IJB has directed the Council to deliver on its behalf such as the provision of care to the elderly and support to adults with support needs.

At 50% against the full year budget, net expenditure on this function for the year to date is in line with expectations. With demand led services there are invariably cost pressures which require to be managed and more information is provided in Appendix 2.

9. Corporate includes the cost of councillors, contingencies, funding to Grampian Valuation Joint Board and the repayment of capital debt.

Against the full year budget, net expenditure for the year to date slightly ahead of expectations. There are no major variances as at the end of Q2 against budget for these areas, although estimates and judgements are made at the year end to ensure compliance with accounting standards are generally reported against this heading.

10. Housing Revenue Account is responsible for the provision of council housing to over 20,000 households with the most significant areas of expenditure being on repairs and maintenance and the servicing of debt incurred to fund capital investment in the housing stock. This is a ring fenced account such that its costs must be met by tenant rental income, which at this stage in the year exceeds expenditure incurred. This is as expected due to the ongoing receipt of rental income each month whilst costs are incurred at a slower pace.

11. Other Income and Expenditure includes interest payable and receivable, income and expenditure from trading operations (car parking, investment property and building services) and income received through council tax, non domestic rates and government grants.

At this stage non domestic rates, council tax and government grants are on budget, and net income from trading services is 35% of full year budget due to the timing of building services cash flows.

The Comprehensive Income and Expenditure Statement incorporates the statutory accounting adjustments to provide the cost of providing services in accordance with International Financial Reporting Standards (IFRS) details of which are provided below.

The Balance Sheet is presented on an IFRS basis and shows the value of assets and liabilities recognised by the Council which are matched by reserves held. Notes on the amounts contained within the Balance Sheet are provided below.

### 2018/19 Forecast Financial Position

- **General Fund Revenue**

Appendix 2 shows the Council is currently forecasting a small overspend for the year of around £0.8m compared to budget, which equates to less than 0.2% of the total net expenditure that the Council expects to spend on services. This is in the context of a number of identified cost and/or demand pressures detailed within Appendix 2 and highlighted in the Q1 report. This includes the unknown value of the final pay award for 2018/19 and the impact of developing issues around the contingent liabilities (described later in the Appendix), such as the cost of the Child Abuse Inquiry, the financial redress scheme being funded through those responsible rather than the Scottish Government. A number of specific actions to reduce expenditure and increase income are being taken across the Council to address the uncertain and challenging environment within which it is working in and the Extended Corporate Management Team is committed to taking action to mitigate the pressure areas.

The Council retains a contingency of approximately £3m that provides protection from a shortfall in managing the cost pressures.

It is clear that operating a very large and complex organisation is not without risks and there are a range of unknown factors that the Council has to continuously manage and will have to address during the course of the year. An example of this is the pay award, which is currently forecast to be settled in line with the current offer by employers. The current offer by employers is already higher than the Council had budgeted and with unions recommending rejection of this offer it is prudent for the Council to take action to be as prepared as it can be for what may eventually be agreed.

- **Housing Revenue Account**

Appendix 2 shows that a balanced position against budget is forecast for the year with no major variances identified.

- **General Fund Capital**

Appendix 2 provides the monitoring position for the 2018/19 non-housing capital programme. The capital programme is funded through a number of project specific grants and contributions, general government grant, capital receipts and borrowing.

- **Housing Capital**

Appendix 2 shows that the forecast outturn is on budget with work ongoing to ensure that expenditure remains within the funded programme as set by Council in March 2018.

- **Common Good**

Appendix 2 provides the budget and current forecast outturn. Funding requests that have been approved in-year are as follows:

- CPR Training for schools - £5,000 for the costs of training all secondary school pupils in cardiopulmonary resuscitation in association with the British Heart Foundation.

### Conclusion

This is the second quarterly financial performance report being presented to Elected Members for consideration of the financial year 2018/19. This report aims to meet the reporting requirements for the London Stock Exchange as well as enhancing financial transparency by providing more information and by providing it in a manner consistent with the Council's Annual Accounts.

### Movement in Reserves Statement

This statement shows the movement on the different reserves held by the Council analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves.

	General Fund	Housing Revenue Account	Statutory and Other Reserves	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2018 brought forward</b>	<b>(40,697)</b>	<b>(11,808)</b>	<b>(13,460)</b>	<b>(65,965)</b>	<b>(1,317,924)</b>	<b>(1,383,889)</b>
<b>Movement in Reserves during 2018/19</b>						
Total Comprehensive Income & Expenditure	(70,659)	(33,040)	0	<b>(103,700)</b>	19,298	<b>(84,401)</b>
Adjustments between accounting basis & funding basis under regulations	(6,198)	22,290	0	<b>16,092</b>	(16,092)	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(76,857)</b>	<b>(10,750)</b>	<b>0</b>	<b>(87,608)</b>	<b>3,206</b>	<b>(84,401)</b>
Transfers to/from Earmarked Reserves	33,211	10,750	(367)	<b>43,594</b>	(43,594)	<b>(0)</b>
<b>(Increase)/Decrease in Year</b>	<b>(43,645)</b>	<b>0</b>	<b>(367)</b>	<b>(44,014)</b>	<b>(40,388)</b>	<b>(84,401)</b>
<b>Balance at 30 September 2018</b>	<b>(84,342)</b>	<b>(11,808)</b>	<b>(13,827)</b>	<b>(109,979)</b>	<b>(1,358,312)</b>	<b>(1,468,291)</b>

### Expenditure and Funding Analysis

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

Quarter 2, 2018/19				
Services	Net Expenditure chargeable to General Fund & Housing Revenue Account	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000	Notes
	£'000	£'000	£'000	
Operations	112,529	(10,195)	102,334	1
Customer	19,567	0	19,567	2
Housing Benefits	649	0	649	3
Commissioning	14,115	0	14,115	4
Resources	3,497	0	3,497	5
Place	6,517	0	6,517	6
Governance	1,490	0	1,490	7
Integration Joint Board	42,508	0	42,508	8
Corporate	7,456	(66)	7,390	9
<b>Net Cost of General Fund Services</b>	<b>208,328</b>	<b>(10,261)</b>	<b>198,067</b>	
Housing Revenue Account	(10,143)	(21,739)	(31,881)	10
<b>Net Cost of Services</b>	<b>198,185</b>	<b>(32,000)</b>	<b>166,185</b>	
Other Income and Expenditure	(261,496)	(8,389)	(269,885)	11
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(63,311)</b>	<b>(40,388)</b>	<b>(103,700)</b>	
Opening General Fund and HRA Balance at 31 March 2018	(52,505)			
(Surplus) or Deficit on General Fund and HRA Balance in Year	(63,311)			
To/From Other Statutory Reserves	19,666			
<b>Closing General Fund and HRA Balance at 30 September 2018</b>	<b>(96,151)</b>			



## Notes

1. See page 3 for information relating to Net Expenditure chargeable to the General Fund. The £10.195m accounting adjustment relates to the removal of unitary charge costs for the 3R's schools which for accounting purposes is required to be split into its component parts, payment for services; repayment of capital; and financing costs.
2. See page 3 for information relating to Net Expenditure chargeable to the General Fund. There are no accounting adjustments relating to this service in this quarter.
3. See page 3 for information relating to Net Expenditure chargeable to the General Fund. There are no accounting adjustments relating to this service in this quarter.
4. See page 3 for information relating to Net Expenditure chargeable to the General Fund. There are no accounting adjustments relating to this service in this quarter.
5. See page 3 for information relating to Net Expenditure chargeable to the General Fund. There are no accounting adjustments relating to this service in this quarter.
6. See page 3 for information relating to Net Expenditure chargeable to the General Fund. There are no accounting adjustments relating to this service in this quarter.
7. See page 3 for information relating to Net Expenditure chargeable to the General Fund. There are no accounting adjustments relating to this service in this quarter.
8. See page 3 for information relating to Net Expenditure chargeable to the General Fund. There are no accounting adjustments relating to this service in this quarter.
9. See page 3 for information relating to Net Expenditure chargeable to the General Fund. The £0.066m accounting adjustment is the reversal of contributions from revenue to fund capital expenditure which for accounting purposes is required to be charged to the Council's capital account
10. See page 3 for information relating to Net Expenditure chargeable to the Housing Revenue Account. The £21.739m adjustment is the reversal of contributions from revenue to fund capital expenditure which for accounting purposes is required to be charged to the Council's capital account.
11. See page 4 for information relating to Net Expenditure chargeable to the General Fund. The -£8.389m adjustment comprises the following two elements:
  - £6.973m is the element of reallocation of the 3R's unitary charge as per note 1 above which relates to financing costs which flows into the Financing and Investment Income and Expenditure line in the CIES below; less
  - (£15.362m) is the allocation of capital grant income which flows into the Taxation and Non Specific Grant Income line in the CIES below.

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS).

Services	Quarter 2, 2018/19			Notes
	Gross Expenditure	Gross Income	Net Expenditure	
	£'000	£'000	£'000	
Operations	142,803	(40,469)	102,334	
Customer	92,021	(72,454)	19,567	
Housing Benefits	29,024	(28,375)	649	
Commissioning	15,455	(1,339)	14,116	
Resources	21,801	(18,304)	3,497	
Place	7,884	(1,367)	6,517	
Governance	2,234	(744)	1,490	
Integration Joint Board	68,484	(25,976)	42,508	
Corporate	13,060	(5,671)	7,389	
<b>Cost of General Fund Services</b>	<b>392,766</b>	<b>(194,699)</b>	<b>198,067</b>	
Housing Revenue Account	(21,513)	(10,369)	(31,882)	
<b>Cost of Services</b>	<b>371,253</b>	<b>(205,068)</b>	<b>166,185</b>	
Other Operating Expenditure			0	1
Financing and Investment Income and Expenditure	41,526	(25,136)	16,390	2
Taxation and Non Specific Grant Income	0	(286,275)	(286,275)	3
<b>(Surplus) or Deficit on Provision of Services</b>	<b>412,779</b>	<b>(516,479)</b>	<b>(103,700)</b>	
(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			0	4
Impairment losses on non current assets charged to the Revaluation Reserve			0	4
(Surplus)/deficit on revaluation of available for sale financial assets			0	4
Actuarial (gains)/losses on pension losses/liabilities			0	4
Other (gains)/losses			19,298	4
<b>Other Comprehensive Income and Expenditure</b>			<b>19,298</b>	
<b>Total Comprehensive Income and Expenditure</b>			<b>(84,401)</b>	

### Notes

1. This line will be used to reflect gains or losses on the disposal of assets which take place during the year.
2. This largely reflects trading income and interest payable and receivable.
3. This is affected by the profiling of income received from the Scottish Government and Non-Domestic Rate payers, which ultimately affects the level of general fund balance at this stage.
4. These lines are predominantly used for statutory accounting adjustments.

## Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council.

31 March 2018 £'000		30 September 2018 £'000	Note
2,311,324	Property, Plant & Equipment	2,425,368	1
197,370	Heritage Assets	197,370	1
148,592	Investment Property	148,592	1
18,075	Long Term Investments	18,075	2
8,222	Long Term Debtors	9,620	3
<b>2,683,583</b>	<b>Long Term Assets</b>	<b>2,799,025</b>	
56,202	Cash and Cash Equivalents	76,827	4
98,705	Short Term Investments	69,346	5
77,292	Short Term Debtors	88,712	6
1,174	Inventories	11,173	7
6,198	Assets Held for Sale	6,198	8
<b>239,571</b>	<b>Current Assets</b>	<b>252,256</b>	
(79,435)	Short Term Borrowing	(115,189)	9
(78,245)	Short Term Creditors	(96,434)	10
(5,758)	Short Term Provisions	(3,835)	11
(3,222)	PPP Short Term Liabilities	(2,997)	12
(5,607)	Accumulated Absences Account	(5,607)	13
(579)	Grants Receipts in Advance - Revenue	(421)	14
(7,855)	Grants Receipts in Advance - Capital	(13,900)	14
<b>(180,700)</b>	<b>Current Liabilities</b>	<b>(238,383)</b>	
(890,982)	Long Term Borrowing	(880,022)	15
(58,793)	Finance Lease	(58,793)	16
(108)	Long Term Creditors	(108)	17
(679)	Long Term Provisions	(679)	11
(97,751)	PPP Long Term Liabilities	(94,754)	12
(310,251)	Pension Liabilities	(310,251)	18
<b>(1,358,564)</b>	<b>Long Term Liabilities</b>	<b>(1,344,607)</b>	
<b>1,383,889</b>	<b>Net Assets</b>	<b>1,468,291</b>	
	Usable Reserves:		
(40,697)	General Fund Balance	(84,342)	19
(11,808)	Housing Revenue Account	(11,808)	19
(13,460)	Statutory and Other Reserves	(13,827)	19
(1,317,924)	Unusable Reserves	(1,358,312)	20
<b>(1,383,889)</b>	<b>Total Reserves</b>	<b>(1,468,291)</b>	

## Balance Sheet Notes

1. Depreciation is calculated annually and therefore no depreciation has been applied in Quarter 2. Capital expenditure to the end of Quarter 2 totaling £114.044m has been applied to Property, Plant & Equipment (this includes £94.643m of general fund expenditure and £19.400m of HRA expenditure). Disposals, revaluations and transfers have not been accounted for in Quarter 2.
2. Long Term Investments comprises the council's interest in Aberdeen Sports Village. These will be revalued and updated in Quarter 4.
3. Long term debtors reflects the movement based on transactions for the period.
4. Cash and cash equivalents have been adjusted for short term investments of £67.534m (those investments classed as cash equivalents because they can be called up at short notice i.e. 0 to 30 days) and developers contributions of £17.765m. See the cash flow statement for an analysis of how this is used.
5. Short term investments have been adjusted as described in note 4.
6. Short term debtors reflects the movement based on transactions for the period.
7. Inventories are adjusted at year end for inter-related balances.
8. Assets held for sale will be reviewed in Quarter 4.
9. Short term borrowing reflects the current position based on transactions for the period.
10. Short term creditors reflects the current position based on transactions for the period.
11. Short term provisions reflects the current position with an adjustment to split this total into long and short term provisions based on year end figures. This split will be updated in future quarters.
12. PPP short term liabilities has been adjusted to reflect the outstanding position at March 2019.
13. The accumulated absences account is an accounting adjustment to reflect the value of holiday leave outstanding. It is reviewed annually and will therefore be updated in Quarter 4.
14. The grants received in advance totals reflect the position at the end of Quarter 2.
15. Long term borrowing reflects the current position based on transactions for the period.
16. Finance Lease reflects the closing position as at March 2018 and will be updated in Quarter 4.
17. Long term creditors reflects the current position based on transactions for the period.
18. Pension liabilities are reviewed annually and will therefore be updated in Quarter 4.
19. Usable reserves reflects the current position based on the transactions for the period. The general fund balance is higher at this stage due to the profiling on income from the Scottish Government and Non-Domestic Rate payers.
20. Unusable reserves have been adjusted for statutory accounting adjustments as detailed above.

## **Contingent Liabilities**

In addition to amounts recognised on the Balance Sheet, the Council was aware of the following contingent liabilities at 31 March 2018 and formally recognised within the 2017/18 Annual Accounts:

### **Aberdeen Science Centre (formerly Satrosphere)**

The Council has agreed to provide a guarantee to the Bank of Scotland for the sum of £127,653 in support of an overdraft facility and card transactions until 31 March 2019.

### **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of a maximum overdraft facility of £250,000 until 2019.

### **Waste Disposal**

The Council has a long term contract with an external contractor for the disposal of all relevant waste arising in the City and the operation and maintenance of waste transfer stations, recycling facilities and landfill sites. The contract commenced in September 2000 and is due to run for 25 years.

The Council is currently part of a three-authority project in partnership with Aberdeenshire and Moray Councils to procure an energy from waste facility which will deal with all residual waste from the three authorities. The contract is expected to commence in 2019 with the facility coming on line late 2021, and will run for 20 years.

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

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

### **External Organisations - Guarantor in relation to North East Scotland Pension Fund (NESPF)**

As the administering authority, the Council may admit a body to the Pension Fund as an 'admitted body' provided (i) the organisation can confirm they have sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest; and (ii) the Scheme employer is prepared to act as guarantor in the event the admitted body should cease to exist. If this situation was to occur and staff made redundant the staff over 50 years old would become entitled to immediate payment of their pension benefits. The Council has agreed a number of such guarantees to organisations that include Aberdeen Sports Village, Sport Aberdeen, Aberdeen Performing Arts, Aberdeen International Youth Festival, Aberdeen Heat and Power, Bon Accord Support Services and Bon Accord Care Ltd. The potential values guaranteed are subject to a range of actuarial assumptions.

### **Sport Aberdeen**

The Council agreed to provide a bank guarantee to Sport Aberdeen to a maximum of £5 million over a 5 year period for investment in Council leisure facilities, as approved at the 7 June 2016 Finance, Policy and Resources Committee. There is currently a guarantee being drawn up for an RCF facility for £1.4 million for Sport Aberdeen.

### **SEEMIS Group LLP**

The Council has agreed to fund any additional pension liability payments arising from its membership of the SEEMIS organisation (the provider of our schools' Management Information System). To date there has been no call on the guarantee.

### **Scottish Child Abuse Inquiry**

The Scottish Child Abuse Inquiry is a national inquiry which was set up on 1 October 2015. The Council recognises a potential liability exists in respect of claims from this inquiry, but this is unquantifiable at this time. The Scottish Government is

progressing a national redress scheme with a likely outcome in 2021. It is unclear at present what the impact on the Council will be and as a result how any liability would be funded.

### **Section 75 agreements**

Section 75 agreements (developer obligations) are frequently sought by the Council in relation to the award of planning permission. The Supreme Court's recent judgement in relation to the Strategic Transport Fund (STF), which was funded through developer obligations, has significant implications for the Council, as there are several large scale projects in development which had expected to rely on STF funding.

### **Music School Tutors**

The Council and HMRC have on-going discussions regarding the employment status of the music school tutors. This may mean the Council has to pay back-dated tax and national insurance for them, and may also have to pay a penalty.

### **Multi Storey Blocks**

In response to the Grenfell Tower incident, potential changes to fire safety within multi storey blocks may be required. The extent of such changes is unknown at this time.

### **Integration Joint Board (IJB)**

The IJB is responsible for the strategic planning of the functions delegated to it by Aberdeen City Council and NHS Grampian. The Aberdeen City IJB Integration Scheme provides the framework in which the IJB operates including information on funding and what should happen if the IJB is projecting to overspend its budget at the year-end. Whilst steps will be taken to address this, ultimately the parties to the arrangement may be potentially liable should the IJB overspend.

### **Our Generation – Solar Panels**

A contractual dispute exists in relation to this contract which may give rise to a future financial liability.

### **3rd Don Crossing**

It is recognised that claims may be received in relation to these projects which could give rise to a future financial liability.

**Cash Flow Statement**

*The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.*

	<b>Quarter 2 2018/19</b>
	<b>£'000</b>
Net Surplus or (Deficit) on the provision of services	103,700
Adjust net surplus or deficit on the provision of services for non cash movements	38,756
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(15,362)
Net cash flows from Operating Activities	127,094
Net cash flows from Investing Activities	(128,041)
Net cash flows from Financing Activities	21,572
Net increase or decrease in cash and cash equivalents	20,625
Cash and cash equivalents at the beginning of the reporting period	56,202
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>76,827</b>
Cash held by the Authority	47
Bank current accounts	76,780
	<b>76,827</b>

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**FORECAST FINANCIAL POSITION  
FOR THE YEAR 2018/19**

**Contents**

General Fund & HRA Revenue	2
General Fund Capital Programme	4
Housing Capital Programme	6
Common Good	7

## GENERAL FUND AND HRA REVENUE

Under the Council reporting structure both General Fund and Housing Revenue Account income and expenditure are included within the Functions budgets below. The split of the overall budget, outturn and surplus figure between the two funds is also shown below.

As at 30 September 2018	Budget	Outturn	Variance from Budget		Notes
	2018/2019	2018/2019	Quarter 2		
	£'000	£'000	£'000	%	
Operations	227,015	232,386	5,371	2.4	1
Customer	34,251	35,366	1,115	3.3	2
Housing Benefits	2,153	2,153	0	0.0	3
Commissioning	27,942	26,894	(1,048)	(3.8)	4
Resources	5,507	3,959	(1,548)	(28.1)	5
City Growth	7,966	8,348	383	4.8	6
Strategic Place Planning	6,922	7,069	147	2.1	7
Governance	2,975	2,944	(30)	(1.0)	8
Integration Joint Board	84,995	84,995	0	0.0	9
<b>Total Functions Budget</b>	<b>399,725</b>	<b>404,114</b>	<b>4,389</b>	<b>1.1</b>	
Contingencies	(4,560)	(4,823)	(263)	5.8	10
Council Expenses	2,852	3,908	1,056	37.0	11
Joint Boards	1,677	1,677	0	0.0	12
Miscellaneous Services	38,766	34,411	(4,355)	(11.2)	13
<b>Total Corporate Budgets</b>	<b>38,736</b>	<b>35,173</b>	<b>(3,563)</b>	<b>(9.2)</b>	
Non Domestic Rates	(227,801)	(227,801)	0	0.0	14
General Revenue Grant	(94,787)	(94,787)	0	0.0	15
<b>Government Support</b>	<b>(322,588)</b>	<b>(322,588)</b>	<b>0</b>	<b>0.0</b>	
Council Tax	(116,373)	(116,373)	0	0.0	16
<b>Local Taxation</b>	<b>(116,373)</b>	<b>(116,373)</b>	<b>0</b>	<b>0.0</b>	
<b>Deficit/(Surplus)</b>	<b>(500)</b>	<b>326</b>	<b>826</b>	<b>(165.3)</b>	

### Split -

General Fund	0	826	826	0.0	
Housing Revenue Account	(500)	(500)	0	(0.0)	17
<b>Deficit/(Surplus)</b>	<b>(500)</b>	<b>326</b>	<b>826</b>	<b>(165.3)</b>	

**Notes**

It should be noted that the full year budgets reflected above differ from those set by Council in March 2018 for a number of reasons. This is normal practice during the year as virements are identified. The main changes at present relate to the allocation of third party spend savings which were held within Commissioning at the time the budget was set across other Functions.

There are pressure areas across the organisation as detailed in the notes below. There is a commitment from the Extended Corporate Management Team (ECMT) to pursue options to mitigate against these pressures and work with the Chief Officer – Finance to ensure the agreed budget position is adhered to.

The Chief Officer – Finance has taken a prudent view on what is possible to achieve in 2018/19 to address the pressure areas on the budget and, provided there is demonstrable action across the Council, is satisfied that compensating savings can be achieved in the remainder of the year to mitigate the cost pressures that the Council is experiencing.

The forecast, shown in the table above, is for reasons of presentation quantified as a specific value, a small over spend of £0.8m, and does not reflect the range of scenarios that could be achieved if the individual elements that make up the current forecast prove to be different. I have taken a prudent view of what may be possible to achieve to address the pressure areas described in the budget, to minimise and protect the contingencies not yet used. With the action being taken to reduce expenditure, it is reasonable to estimate that the current forecast sits within a range:

Assumption	Impact
Improve income and collection levels and expenditure levels lower than currently forecast.	Potential surplus achieved at year end.
<b>Actual spending and income in line with forecasts, estimates and judgements at Quarter 2. (Appendix 2)</b>	<b>Forecast of £0.8m over budget.</b>
Additional cost pressures from, for example a severe winter, a higher pay award and additional demand pressures.	10% pay award for teachers would lead to a potential deficit of £7m at year end.

The risk and uncertainty around the pay award and also emerging issues such as the funding of a financial redress scheme in relation to Survivors of Child Abuse in Care identify that action should be taken now to be as prepared as possible.

The Council continues to identify and respond to the most vulnerable and disadvantaged in the community. By reducing expenditure and increasing income to offset additional costs it will continue to prioritise its legal obligations to Protecting People.

1. The main areas of pressure within Operations are:

- Foster care costs have risen due to the inability to recruit within the city, a national problem, with a high number of placements now being provided by external agencies that charge higher fees as part of a national contract.
- The number of children with disabilities requiring assistance creates a cost pressure for direct payments , and the cost of kinship carers creates an ongoing pressure;
- In respect of out of authority placements there is continued pressure of cost increases per package, Sheriff Court, Children’s Hearings and Education Tribunal placement decisions, and the need to safely manage child protection risks all play a part in the costs that the Council has to address;
- The costs of agency social workers have risen creating a pressure, work is to be undertaken to align the posts with vacant positions;
- Income from additional repairs, maintenance and capital work is unlikely to be achieved in Building Services as there continues to be a shortage of resources such as staff in trades and team leaders.

The significant pressures on Operations have been identified and tighter controls around staff and purchases are expected to enable an improvement in the financial forecast. Despite this it is likely that the Function will exceed its budget in order to protect the most vulnerable in our community. The ECMT has taken a corporate view of how to address the cost pressures that are being experienced and savings in other areas will compensate for the level of demand and need that has been identified.

2. The main areas of pressure within Customer are:

- Commissioned telephone costs for Bon Accord Care;
- Underachievement of income in IT systems relating to staff recharges on projects;
- Housing access and support faces challenges in relation to income from accommodation and also the cost of properties, including repairs.

There are a number of pressure areas in the Customer Function, and specific workstreams have been instigated to identify how these can be mitigated directly or through other means.

3. Housing Benefits is demand led which can lead to cost pressures, and it is assumed that this will be largely offset by additional income from the DWP.
4. The forecast position for Commissioning is that the Function will be under budget although pressure comes from:
  - Advertising and sponsorship income is expected to be under budget, due to continuing economic conditions;
  - Additional commissioning costs.

Commissioning pressures may be limited however this does not mean that further savings cannot be achieved by securing contract price changes and, more significantly, through the effective and active management of off-contract expenditure and controlling the level of ordering of non-life and limb expenditure in the Council. In the holistic approach to managing Council finances this workstream will seek to reduce expenditure on goods and services purchased, not just in Commissioning but across the Council.

5. The main areas of pressure within Resources arise due to timing changes for income on specific projects, for example roads projects, where the level of fees assumed will not be achieved unless additional resources are committed to support on-going design and delivery of major roads projects in the capital programme.

The forecast value of cost pressures is offset by a higher level of income in other areas of the Function and as such it is expected to deliver an overall saving which other Council Functions will benefit from. Further work to benefit from reduced spending and staff recruitment means that there will be an increased level of resource generated at the year end to support the Council's financial position.

6. The main area of pressure within City Growth is:

- Income from cultural facilities.

Achieving new funding streams for specific projects, such as 'developing the young workforce' plus improvements that are expected from taking a corporate approach is forecast to improve the year end position, however it is expected that the Cluster will remain under pressure at the year end.

7. The main areas of pressure within Strategic Place Planning are:

- Income in respect of roads development which is dependant on progression of the capital programmes; and the costs of the public transport unit;
- The general economic condition in Aberdeen may impact further on the income from Planning Application Fees and Building Standards.

A specific workstream has been described by the Corporate Management Team that seeks to address the shortfall in income and that, with other corporate initiatives, is expected to mitigate the challenges in the Cluster.

8. The main area of pressure within Governance is:

- The level of charges for legal services recoverable from other Council accounts, e.g. Housing Revenue Account.

The Chief Officer is working to counteract the pressure areas of the budget through a range of initiatives.

9. The main areas of pressure within Integrated Joint Board/Adult Social Care are:

- Needs led homecare costs and under-recovery of client income in Older People & Physical Disability service;
- The additional costs of supporting complex day care and supported accommodation packages for Learning Disabilities and under-recovery of client contributions;
- Needs led residential care and homecare for mental health and substance misuse clients;

- There is the potential to access the IJB's risk fund to cover increased spending in-year, on a one-off basis.
10. The savings forecast from staff vacancies are contained within the Contingencies budget and are forecast to be achievable for the year based on data at this point in time.
  11. Council Expenses includes a budget relating to movements in the Council's provision for bad debt. The methodology used to assess the level of provision required is being reviewed which may impact on this budget. Specific work has been prioritised to target outstanding debt collection and ensure that the Council is receiving the income due to it.
  12. The Joint Boards budget and outturn is based on the amount requisitioned by Grampian Valuation Joint Board.
  13. Capital Financing Costs is the most significant budget within Miscellaneous Services, with this including the impact of accounting requirements in relation to the Council's Bond Issuance. The forecast takes account of the expected beneficial impact that will arise from implementing treasury management advice on capital financing costs. The accounting requirements in relation to the Bond issue are funded by useable reserves in the short term, resulting in a medium to long term annual benefit that impacts on the General Fund budget.
  14. The Non Domestic Rates figure is set by the Scottish Government as part of its overall funding support package rather than the amount billed and receivable by the Council.
  15. The General Revenue Grant is set by the Scottish Government as part of its funding support package. This may change during the year as the government announces funding redeterminations. It has been assumed that no additional funding will be received by the Council that would result in additional income in 2018/19.
  16. Council Tax income is forecast to be on budget at Quarter 2.
  17. There are a number of small variances within the HRA budget, which will be managed during the year.

#### GENERAL FUND CAPITAL PROGRAMME

The presentation of the General Fund Capital Programme reflects the Programme Board structure approved by Audit, Risk & Scrutiny committee in June 2017. The dashboard style incorporates key project and financial indicators.

It should be noted that some projects in the approved 5 year programme are currently profiled for later financial years, so do not quote a budget amount for 2018/19. These projects are included to provide a complete overview of projects in the approved programme and to ensure they are not omitted from the regular programme reviews.

The programme has been extended to reflect the decisions made by City Growth & Resources committee in September 2018 with regard to the Schools development programme and City Centre Masterplan Queen Street Development Opportunity. The programme has been extended to reflect the decisions made by City Growth & Resources committee in September 2018

The Council is currently developing new reporting arrangements for the application of developer obligation funds. This update identifies where funds have been applied in support of projects in the current financial year.

Key	Status
Project Status is Improving	↗
Project Status is Stable	→
Project Status is Deteriorating	↘

As at Period 6 2018/19						Gross Figures for 2018/19		
	AECC Programme Board					Approved Budget	Expenditure to Date	Forecast Expenditure
	Status	Timeline	Budget	Risk	Resource	£'000	£'000	£'000
TECA	↘	G	G	A	A	124,734	74,300	146,964
TECA: Anaerobic Digestion Plant	↘	A	G	G	A	21,215	0	4,000
						<b>145,949</b>	<b>74,300</b>	<b>150,964</b>

The level of expenditure in 2018/19 is forecast to be ahead of budget and this reflects the good progress that is being made on site and the programme is ahead of schedule. This has resulted in a higher spend being incurred in 2018/19 than had been originally modelled.

As at Period 6 2018/19						Gross Figures for 2018/19		
Asset Management Programme Board						Approved Budget	Expenditure to Date	Forecast Expenditure
	Status	Timeline	Budget	Risk	Resource	£'000	£'000	£'000
Orchard Brae (New ASN School - previously Raeden Centre project)	→	G	G	G	G	715	8	715
New Academy to the South - ICT Infrastructure	→	G	G	G	G	1,000	809	1,000
New Academy to the South - Infrastructure Improvements	→	G	G	G	G	1,851	1,161	1,802
New Milltimber Primary	↘	A	A	A	A	500	0	300
Social Care Facilities: Len Ironside Centre	→	G	G	G	G	88	0	25
Kingsfield Childrens Home	↗	G	G	G	G	1,500	0	770
TNRP - Investment in Advance Factory Units	→	A	G	G	A	530	0	0
Greenbrae Primary Extension and Internal Works	→	G	A	G	G	514	(68)	(236)
Stoneywood Primary	↗	G	A	G	G	2,454	1,663	2,285
Dyce 3G Pitch	→	G	G	G	G	0	0	0
Refurbish Throughcare Facility - 311 Clifton Road	→	G	G	G	G	30	0	0
Street Lighting LED Lanterns (PACE programme)	→	G	G	G	G	2,338	186	1,000
Flood Prevention Measures: Flood Guards Grant Scheme	→	G	G	G	G	105	3	3
Flood Prevention Measures: Millside & Paddock Peterculter	→	G	G	G	G	0	0	0
Tillydrone Primary School	↘	A	A	G	A	9,453	17	300
Torry Primary School and Hub	↘	A	A	G	A	9,974	17	300
Northfield / Cummings Park Early Learning & Childcare Provision	↘	A	A	R	R	493	1	0
Early Learning and Childcare	↘	A	A	R	R	7,400	1	0
Kingswells Nursing Home Acquisition	↗	G	G	G	G	tbc	0	0
Crematorium Refurbishment	↗	A	G	G	G	1,115	395	1,100
Additional Investment in Roads	→	G	G	G	G	500	0	500
Countesswells Primary	→	G	G	G	G	0	0	300
						<b>40,560</b>	<b>4,190</b>	<b>10,164</b>

As at Period 6 2018/19						Gross Figures for 2018/19		
Asset Management Programme Board Rolling Programmes						Approved Budget	Expenditure to Date	Forecast Expenditure
	Status	Timeline	Budget	Risk	Resource	£'000	£'000	£'000
Corp Property Condition & Suitability Programme	→	A	G	G	A	10,354	4,353	6,944
Cycling Walking Safer Streets Grant	→	G	G	G	G	313	56	313
Fleet Replacement Programme (including Zero Waste Strategy Fleet)	↘	R	G	G	G	5,695	794	2,781
Planned Renewal & Replacement of Road Infrastructure	→	G	A	A	A	6,409	1,507	5,400
Planned Renewal & Replacement of Road Infrastructure (Street Lighting)	→	G	A	A	A	235	117	235
						<b>23,006</b>	<b>6,827</b>	<b>15,673</b>

As at Period 6 2018/19						Gross Figures for 2018/19		
City Centre Programme Board						Approved Budget	Expenditure to Date	Forecast Expenditure
	Status	Timeline	Budget	Risk	Resource	£'000	£'000	£'000
Art Gallery Redevelopment - Main Contract (HLF)	→	R	R	R	G	3,221	568	3,221
City Centre Masterplan	→	A	G	G	G	16,980	718	3,485
Provost Skene House Refurbishment	↗	G	G	G	G	1,640	42	1,640
Broad Street	↗	A	G	G	G	736	641	736
Union Street - Conservation Area Regeneration Scheme	→	G	G	G	G	150	36	150
Aberdeen in Colour - Langstane Place	→	G	G	G	G	50	0	50
Schoohill Public Realm	→	G	G	G	G	550	(2)	550
City Centre Living - Queen's Square Development		G	G	G	G	500	0	50
Central Library Roof & Parapets	→	G	G	G	G	337	32	326
						<b>24,164</b>	<b>2,035</b>	<b>10,208</b>

As at Period 6 2018/19						Gross Figures for 2018/19		
Energy Programme Board						Approved Budget	Expenditure to Date	Forecast Expenditure
	Status	Timeline	Budget	Risk	Resource	£'000	£'000	£'000
Hydrogen Buses	→	G	G	G	G	5	0	0
Waste: Energy from Waste (EfW) Procurement & Land Acquisition	↗	A	G	G	G	3,577	2,306	3,577
Waste: Investment in Waste Collection	↗	G	G	G	G	107	42	107
Waste: Co-Mingled MRF & Depot	→	G	A	G	G	737	275	737
Waste: Bridge of Don HWRC	→	G	A	G	A	50	0	0
Energy from Waste (EW) Construction & Torry Heat Network	↘	A	A	A	G	889	57	889
JIVE (Hydrogen Buses Phase 2)	→	G	G	G	G	3,053	0	3,053
						<b>8,418</b>	<b>2,681</b>	<b>8,363</b>

As at Period 6 2018/19						Gross Figures for 2018/19		
Housing and Communities Programme Board						Approved Budget	Expenditure to Date	Forecast Expenditure
	Status	Timeline	Budget	Risk	Resource	£'000	£'000	£'000
Tillydrone Community Hub	↗	G	G	A	G	4,661	775	3,590
SIP New Build Housing Programme	→	A	G	G	A	702	96	702
Middlefield Project Relocation / Henry Rae Community Centre Extension	→	G	G	G	G	4	37	37
Station House Media Unit Extension	↘	A	A	A	G	653	615	641
New Cruyff Court	→	G	G	G	G	250	0	200
Community Growing Spaces	→	G	G	G	G	116	40	116
						<b>6,386</b>	<b>1,563</b>	<b>5,286</b>

As at Period 6 2018/19						Gross Figures for 2018/19		
Housing and Communities Programme Board Rolling Programmes						Approved Budget	Expenditure to Date	Forecast Expenditure
	Status	Timeline	Budget	Risk	Resource	£'000	£'000	£'000
Private Sector Housing Grant	→	G	G	G	G	922	0	750
						<b>922</b>	<b>0</b>	<b>750</b>



As at Period 6 2018/19						Gross Figures for 2018/19		
Transportation Programme Board						Approved Budget	Expenditure to Date	Forecast Expenditure
	Status	Timeline	Budget	Risk	Resource	£'000	£'000	£'000
Access From the North / 3rd Don Crossing	↗	A	R	G	A	1,492	23	1,492
Western Peripheral Route	→	G	G	G	G	19,961	1,484	9,980
Strategic Land Acquisition	→	G	G	G	G	1,748	0	1,748
CATI: South College Street	→	G	G	G	A	275	0	50
CATI - Berryden Corridor (Combined Stages 1, 2 & 3)	↘	R	A	A	R	393	234	393
A96 Park & Choose / Dyce Drive Link Road	↗	A	G	G	A	1,120	36	120
Sustrans Active Travel Infrastructure Fund	→	G	G	G	A	424	74	424
						<b>25,413</b>	<b>1,851</b>	<b>14,207</b>

  

As at Period 6 2018/19						Gross Figures for 2018/19		
Transportation Programme Board Rolling Programmes						Approved Budget	Expenditure to Date	Forecast Expenditure
	Status	Timeline	Budget	Risk	Resource	£'000	£'000	£'000
Nestrans - Capital Works	→	A	A	G	G	0	266	0
Nestrans - Capital Grant	→	G	G	G	G	2,807	159	2,807
						<b>2,807</b>	<b>424</b>	<b>2,807</b>

  

As at Period 6 2018/19						Gross Figures for 2018/19		
Strategic Asset & Capital Plan Board						Approved Budget	Expenditure to Date	Forecast Expenditure
	Status	Timeline	Budget	Risk	Resource	£'000	£'000	£'000
City Broadband (Accelerate Aberdeen)	→	G	G	G	G	360	0	360
Technology Investment Requirements & Digital Strategy	→	A	G	G	G	2,101	270	300
City Deal	→	G	G	G	G	44	0	18
City Deal: Strategic Transport Appraisal	→	G	G	G	G	668	0	55
City Deal: Aberdeen Harbour Expansion Project	→	G	G	G	G	2,000	500	2,000
City Deal: Digital Infrastructure	→	G	G	G	G	1,750	0	150
City Deal: City Duct Network	→	A	A	G	G	2,000	0	40
City Deal: Transportation Links to Bay of Nigg	↘	A	G	G	G	69	84	123
Human Capital Management	→	G	G	G	G	800	311	800
City Deal: Expand Fibre Network	↘	A	G	A	A	936	12	647
City Deal: Digital Lead	→	G	G	G	G	45	5	45
City Deal: Regional Data Exchange	↘	A	G	G	G	150	0	150
City Deal: Sensor Network	↘	A	G	G	G	150	0	150
Construction Inflation	→	G	G	G	G	14,260	0	14,260
						<b>25,333</b>	<b>1,182</b>	<b>19,098</b>

<b>As at Period 6 2018/19</b>	<b>Gross Figures for 2018/19</b>
<b>Developer Obligation Projects &amp; Asset Disposals</b>	<b>Expenditure to Date</b>
	£'000
Alex Collie Gym Equipment	13
Dyce Community Centre Refurbishment	226
Hanover Community Centre Kitchen Refurbishment	27
Inchgarth Community Centre Play Equipment	21
Pets Corner Refurbishment	48
Ruthrieston Community Garden	7
Tillydrone Community Hub	46
Greenbrae Primary Extension	68
Countesswells Primary	19
Kingswells School Acoustics	29
Core Path - Deeside Way	17
Core Path - Kincorth Hill	7
Core Path - Manor Walk	25
Core Path - Northcote Path	10
Core Path - Rover Don	38
Stewart Park Paths	7
Dubford Road Improvements	1
Maidencraig Flood Prevention Scheme	102
Cost of Property Sales	96
	<b>808</b>

Notes on projects with Red indicators:

Projects where officers are responding to delivery challenges:

- The Council approved the progression of the Compulsory Purchase Order for the Berryden Corridor at its Urgent Business Committee on 21 December 2017. The project team are progressing the necessary arrangements including a reassessment of resourcing negotiations for some voluntary property acquisitions. The prioritisation of the Schoolhill Public Realm project has resulted in an extension of the timeline for this activity.

Projects under officer assessment for potential contractual dispute:

- Work continues to be undertaken to assess the various aspects of a claim in relation to the Art Gallery.

- Part 1 claims under the Land Compensation Claim Act 1973, and Noise Insulation (Scotland) regulations (1975) continue to be received, assessed and processed for the 3<sup>rd</sup> Don Crossing project in compliance with the processes for the creation of new roads infrastructure. Information is also being gathered for the project review and consideration of any potential legal action by the Council.

Projects to be re-scoped:

- The Early Learning and Childcare programme to expand nursery provision across the city continues to be developed. A multi-year funding award was confirmed by the Scottish Government in May 2018, and the Council has now received the capital grant allocations for both 2017/18 and 2018/19.
- As reported to Capital Programme Committee in September 2018, the Fleet Replacement programme continues to be re-profiled with regard to on-going procurement exercises and front line service requirements.

Financial re-profiling will continue as officers report updated business cases to Capital Programme Committee on key projects.

#### HOUSING CAPITAL PROGRAMME

Housing Programmes Quarter 2	Approved Budget	Expenditure to date	Forecast Expenditure
	£'000	£'000	£'000
Compliant with the tolerable standard	1,458	550	1,458
Free from Serious Disrepair	12,708	4,700	12,558
Energy Efficient	9,234	4,182	9,234
Modern Facilities & Services	1,945	983	1,945
Healthy, Safe & Secure	4,713	1,238	4,763
Non Scottish Housing Quality Standards	17,190	6,495	17,290
	<b>47,248</b>	<b>18,148</b>	<b>47,248</b>

The Housing capital expenditure budget of £47.248M set in March 2018 assumes that a level of slippage will occur across projects. Forecast expenditure, currently in line with budget, is based on spend to date on current contracts and previous years spend. It should be noted that virements are reflected in the forecast expenditure there will be a number of virements for approval next quarter. The table above does not reflect the Council ambition to provide an additional 2,000 houses. Business cases for individual sites continue to be developed by officers and, subject to approval, will be added to the programme in due course.

**COMMON GOOD**

As at September 2018	Full Year Budget 2018/19	Forecast Outturn 2018/19	Variance from Budget	Notes
	£'000	£'000	£'000	
Recurring Expenditure	2,885	2,848	(37)	1
Recurring Income	(3,455)	(3,455)	0	
<b>Budget After Recurring Items</b>	<b>(570)</b>	<b>(607)</b>	<b>(37)</b>	
Non Recurring Expenditure	377	382	5	2
Non Recurring Income	0	0	0	
<b>Net Income</b>	<b>(193)</b>	<b>(225)</b>	<b>(32)</b>	
<b>Amounts required for increase in cash balances in line with inflation</b>	<b>(168)</b>	<b>(168)</b>		
<b>Revised Net income</b>	<b>(25)</b>	<b>(57)</b>		
<b>Cash Balances as at 1 April 2018 (unaudited)</b>	<b>(28,289)</b>	<b>(28,289)</b>		
<b>Estimated Cash Balances as at 31 March 2018</b>	<b>(28,482)</b>	<b>(28,514)</b>		
<b>Minimum cash balance requirement per budget report (Council February 2015)</b>	<b>(21,004)</b>	<b>(21,004)</b>		

**Notes**

1. The reduction to the forecast in Recurring Expenditure reflects the saving from removal of a staff post, £37,000
2. Additional budget approved in year to date:
  - CPR training for secondary schools in the City - £5,000 approved at City Growth and Resources Committee on 19 June 2018



**COMMON GOOD  
FINANCIAL STATEMENT  
FOR THE PERIOD ENDING  
30 SEPTEMBER 2018**

**Contents**

Movement in Reserves Statement	2
Comprehensive Income and Expenditure Statement	3
Balance Sheet	4

**Common Good**

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land and buildings, such as industrial estates and farms, with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

**Movement in Reserves Statement**

	<b>Common Good Fund</b>	<b>Reserves Fund</b>	<b>Total Common Good</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2018</b>	<b>(114,316)</b>	<b>(68)</b>	<b>(114,384)</b>
<b>Movement in Reserves during 2018/19</b>			
(Surplus) or Deficit on provision of services	(409)	0	(409)
<b>Total Comprehensive Expenditure and Income</b>	<b>(409)</b>	<b>0</b>	<b>(409)</b>
<b>Balance at 30 September 2018</b>	<b>(114,725)</b>	<b>(68)</b>	<b>(114,793)</b>

**Comprehensive Income and Expenditure Statement**

	Quarter 2, 2018/19			Notes
	Gross Expenditure	Gross Income	Net (Income) Expenditure	
	£'000	£'000	£'000	
Administration Costs	16		16	
Donations, Grants, Contributions etc.	211		211	
Civic Hospitality	41		41	
Civic Expenditure			0	
Funding of International Budget	25		25	
Christmas Illuminations & Festivities	36		36	
Civic Administration Unit	61		61	
Other Projects	34		34	
Miscellaneous Expenditure	58		58	
Youth Activity Funding	0		0	
Specific Projects	240		240	
Duthie Park HLF	30		30	
<b>Cost Of Services</b>	<b>751</b>	<b>0</b>	<b>751</b>	1
Other Operating Expenditure			0	2
Financing and Investment Income and Expenditure			(1,161)	3
<b>(Surplus) or Deficit on Provision of Services</b>			<b>(409)</b>	
(Surplus) or Deficit on revaluation of investment property				4
<b>Total Comprehensive Income and Expenditure</b>			<b>(409)</b>	

**Notes**

1. This is project expenditure to 30 September 2018.
2. This reflects any gains or losses on the disposal of assets during the year. Disposals will be accounted for at year end.
3. This reflects income receivable from investment properties net of associated expenditure.
4. The revaluation of investment property will be undertaken in Quarter 4.



**Balance Sheet**

<b>31 March 2018</b>			<b>30 September 2018</b>	<b>Notes</b>
<b>£'000</b>			<b>£'000</b>	
86,034	Investment Property		86,034	1
<b>86,034</b>	<b>Long Term Assets</b>		<b>86,034</b>	
27,798	Investments in Aberdeen City Council Loans Fund		28,585	2
61	Investment Property Held for Sale		61	3
843	Short Term Debtors		403	4
<b>28,702</b>	<b>Current Assets</b>		<b>29,049</b>	
(352)	Short Term Creditors		(290)	5
<b>(352)</b>	<b>Current Liabilities</b>		<b>(290)</b>	
<b>114,384</b>	<b>Net Assets</b>		<b>114,793</b>	
(114,316)	Common Good Fund		(114,725)	6
(68)	Reserve Fund		(68)	6
<b>(114,384)</b>	<b>Total Reserves</b>		<b>(114,793)</b>	

**Notes**

1. The revaluation of investment property will be undertaken in Quarter 4, at which time this figure will be updated.
2. Reflects current cash balances held following transactions to 30 September 2018.
3. Will be reviewed and updated accordingly in Quarter 4.
4. Based on transactions to 30 September 2018.
5. Based on transactions to 30 September 2018.
6. Reflects the accounting value of the funds, based on transactions to 30 September 2018.

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**GROUP ENTITIES  
FORECAST FINANCIAL  
POSITION FOR THE YEAR 2018/19**

Aberdeen City Council holds a financial interest in a number of Subsidiaries, Associates and Joint Ventures. The most significant of these are included in the Council's Group Accounts.

The table below outlines the entities to be consolidated into the Council's Group Accounts, and details the Council's share of "ownership" of each of the entities.

For the Financial Year 2018/19	ACC Control	ACC Commitment to meet accumulated deficits	Annual Turnover
	%	%	£m
<b>Subsidiaries</b>			
Common Good	100	100	4
Trust Funds	100	100	0
Sport Aberdeen Limited	100	100	12
Bon Accord Care Limited	100	100	20
Bon Accord Support Services Limited	100	100	28
<b>Joint Ventures</b>			
Aberdeen Sports Village Limited	50	50	6
Aberdeen City Integration Joint Board	50	50	305
<b>Associates</b>			
Grampian Valuation Joint Board	39	39	4

The table below provides details of the year to date figures available, and the forecast surplus deficit for the financial year 2018/19. The Council has agreed to include information only when it has been reported through a group entities governance structure.

For the Financial Year 2018/19	Reporting Date	Surplus/(deficit) attributable to the Council at Reporting date	Forecast Surplus/(Deficit)	Comment
		£'000	£'000	
<b>Subsidiaries</b>				
Common Good	30/09/2018	409	32	see Appendices 2 & 3
Trust Funds	-	-	-	information available at 31.03.19
Sport Aberdeen Limited	31/08/2018	290	0	break even position forecast
Bon Accord Care Limited and Bon Accord Support Services Ltd	30/09/2018	585	0	break even position forecast
<b>Joint Ventures</b>				
Aberdeen Sports Village Limited	31/08/2018	(19)	0	break even position forecast
Aberdeen City Integration Joint Board	31/08/2018	0	0	break even position forecast
<b>Associates</b>				
Grampian Valuation Joint Board	30/09/2018	(1)	-	forecast not yet available

The notes below summarise the current financial position in respect of each of the group entities.

## **Subsidiaries**

### **Common Good**

The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land and buildings, such as industrial estates and farms, with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

The Common Good is forecasting a £32k underspend for 2018/19 mainly as a result of recurring income and expenditure – see Appendix 2. The financial statement for the quarter is shown in Appendix 3.

### **Trust Funds**

The Council is responsible for the administration of various trusts created by bequest or evolved through history or by public subscription which are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and also the administration of the Guildry. The money earned from the investments of the Trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes.

Financial information for the Trust Funds will be available at year end, 31 March 2019. They are not expected to have a material impact on the Council's financial position for 2018/19.

### **Sport Aberdeen**

Sport Aberdeen Limited is a charity and constitutes a limited company limited by guarantee. The principal activity of the company is the provision of recreation leisure facilities and services on behalf of Aberdeen City Council in accordance with key priorities. Although Aberdeen City Council does not own the entity it is considered that control representing power to govern exists through agreements in place and that Sport Aberdeen Limited operates as a structured entity of the Council. The results for the period ended 31/08/2018 show a surplus of £290k, which represents a £57k positive variation against the budget.

Sport Aberdeen is forecasting a break even position for 2018/19, which is in line with the budget. The budget profiling reflects the seasonal nature of the ALEO's operations.

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

The consolidated position of BAC and BASS shows an overall profit of £585k for the 6 months ending September 2018, compared to a budgeted surplus at this stage of the year of £458k, representing a positive variance of £126k. An overall break even position for the financial year 2018/19 is currently forecast.

## **Joint Ventures**

### **Aberdeen Sports Village Limited (ASV Ltd)**

ASV Ltd is a company limited by guarantee and registered as a charity. It is a joint venture company owned equally by the Council and The University of Aberdeen. ASV Ltd was incorporated in 2007 and its objectives are to provide sports and recreational facilities, including elite sports facilities for the use of both students and staff of the University of Aberdeen and the general public, and the advancement of public participation in sport.

The financial year end for ASV Ltd is not aligned to the Council's with its year end being 31 July. The latest available financial information for Aberdeen Sports Village is for the period ended 31/08/2018. This shows that ASV Ltd reported a loss of £38k for the year period 31 August 2018, the share of the loss being attributed to the Council is £19k. ASV Ltd has sufficient reserves on its balance sheet to absorb this loss, and there will therefore be no requirement for Aberdeen City Council to fund this deficit.

### **Aberdeen City Integration Joint Board (IJB)**

The IJB was established by order of Scottish Ministers on 6 February 2016, becoming fully operational from 1 April 2016. The IJB is responsible for the strategic planning, resourcing and operational delivery of all integrated health and social care within the Aberdeen City area. This has been delegated by the partners; Aberdeen City Council and NHS Grampian.

The IJB is currently experiencing budget pressures in those services delivered by the Council, specifically in Home and Residential Care. Steps have been taken by the management team to mitigate against cost pressures identified.

Work is ongoing on a detailed review of the Carefirst system to ensure all records are current. The executive team is currently working on savings plan to cover any overspend.

Expenditure on services delivered by the NHS is currently in line with budget. A risk of overspend in prescription services has been identified. The NHS has taken steps to mitigate against this risk. A decision has been taken to negotiate certain drugs at a national level.

The IJB is currently forecasting a break even position. This is based on the assumption that any overspends will be funded from reserves. The IJB currently holds a risk fund of £2.5m which could be used to cover any possible overspend. It is not expected that the IJB will be seeking any additional funds from the Council or the NHS.

### **Associates**

#### **Grampian Valuation Joint Board**

The Grampian Valuation Joint Board was created following Local Government Re-organisation on 1 April 1996, under the Local Government (Scotland) Act 1994 and covers the local government areas of Aberdeenshire, Aberdeen City and Moray.

The Board has reported a loss of £2k for the period ended 30 September 2018 compared to a budgeted loss of £90k at this stage of the year, representing a better than expected variance of £88k.

The share of the loss attributable to the Council is as at September 2018 is £0.8k. A full year forecast position is not available at this time.