



**FINANCIAL STATEMENT
FOR THE PERIOD ENDING
31 DECEMBER 2019**

Contents

Management Commentary	2
Movement in Reserves Statement	7
Expenditure & Funding Analysis	8
Comprehensive Income and Expenditure Statement	10
Balance Sheet	11
Cash Flow Statement	17

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 31 December 2019.

It also provides an insight into the expected financial performance for the remainder of the financial year 2019/20, 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

The Council must comply with a wide range of legislation and regulation in the course of its work. Since 2016/17 the issue of bonds on the London Stock Exchange (LSE) has placed an increased level of regulation around council finances in particular. Maintaining a credit rating, annually assessed and compliance with the reporting and disclosure requirements of the LSE means an extra level of scrutiny is placed on the Council.

Moody's (the credit rating agency) published their latest credit rating assessment of the Council in December 2019, maintaining a rating of 'Aa3', and reflecting the UK Outlook as 'negative', a change from the previous year but in line with the UK Sovereign rating. (The full credit rating assessment is included elsewhere on the Committee agenda).

The Council received an unqualified audit opinion for 2018/19 from KPMG, independent external auditor and the outturn position achieved as at 31 March 2019 was in line with forecasts. This placed the Council in a strong place to move into 2019/20 and tackle the financial pressures that it faces.

As at 1 April 2019 the Council held Usable Reserves of £59 million and had a Net Asset Value of £1.3 billion.

The Council set its 2019/20 budgets on 5 March 2019, approving for the General Fund a range of budget savings options and increasing Council Tax rates by 4.5% to set a balanced budget for the year.

The General Fund budget took account of a range of pay and price inflation pressures, in particular an increased pay award for both 2018/19 and 2019/20 than had been forecast previously. A net increase in the cost of debt reflected the significant investment there has been in recent years in city infrastructure was calculated. There were conditions attached to the Scottish Government financial settlement in relation to funding for Community Health and Social Care and to support maintaining teacher numbers across Scotland. Demand and emerging pressures from out of authority placements and fostering and kinship care were also incorporated.

Since the budget was approved there have continued to be changes to the financial environment. The teachers pay award (backdated to April 2018) was agreed on a three year deal with an additional 4% increase applicable from April 2019. Additional funding has been confirmed by the Scottish Government to fund this in 2019/20 and then again in 2020/21.

Teachers' employers pension contributions were due to rise by over 20% in April 2019 however this has been revised and will be implemented from September 2019, the additional cost is only partially funded by additional grant from UK and Scottish Government.

The Housing Revenue Account budget was based on a 4.3% increase in rents from 29 April 2019, which was in line with the Council rent policy. During 2019/20 the Council is consulting on a fixed term rent policy to be effective from April 2020.

Our Financial Performance : General Fund

• Performance in Quarter 3

In March 2019, the Council set its General Fund and Housing Revenue Account (HRA) revenue and capital budgets for the financial year 2019/20. Performance for the year is measured against these budgets with the projected full year position considered in Appendix 2 of this report. This section focuses on the actual financial results for the period 1 April to 31 December 2019, presented in the format of our Annual Accounts on pages 8 to 18.

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

1. Operations

At 70.24% against the full year budget, the services net expenditure for the year to date is slightly under budget. This is mainly due to funding (for example Early Years expansion grant) being received for which costs will be incurred later in the year. Fees and charges income levels are lower than expected as at the end of December and reflect invoices being raised in arrears for internal and external customers.

2. Customer

At 80.27% against the full year budget, the function's net expenditure for the year to date is slightly ahead of budget. This is due to the timing of contracts, particularly for ICT services, which are paid at certain points in the year and will reflect the full year cost.

3. Commissioning

At 94.47% against the full year budget, the function's net expenditure for the year is ahead of budget. The function is continuing to work with services to distribute the remaining procurement savings, currently held by the Commissioning function, which means that expenditure to date is greater than the net budget available.

4. Resources

The function has a budget where a significant proportion of costs are recharged to other accounts of the Council and to external customers. The recharges are directly related to the progress of specific projects in the capital programme and in the normal course of the year recharging tends to be done later in the year.

5. Place

City Growth.

The net expenditure for the year is over budget at 98.82%, with payment for events being spread unevenly across the year, income from European projects, including the hydrogen bus projects claim income in arrears and there is a substantial timelag between income being received and expenditure being incurred. The Q3 position reflects expenditure but limited income to offset these costs, which is still to be received.

Strategic Place Planning

At 74.86% against full year budget, the net expenditure is in line with expectations for this time of year. Pressure exists in relation to additional spend for the period from the transport planning unit and school transportation, however income in building standards fees is ahead of the budgeted position and staff costs are lower due to vacancies.

6. Governance

At 75.04% against the full year budget, the services net expenditure for the year is in line with expectations. Higher expenditure levels reflect costs of the European elections in May and by-elections, which are offset by income that has been received in relation to these costs. Pressures exist in relation to fee income for legal services.

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

At 77.21% against the full year budget, net expenditure on this function for the year to date is in line with expectations. However, with demand led services there are invariably cost pressures which require to be managed and in particular there are pressures evident in relation to client contributions, commissioned services, out of area placements, and for young people transitioning from children's services with support needs.

8. Corporate

Includes the cost of councillors, contingencies, funding to Grampian Valuation Joint Board and the repayment of capital debt. Expenditure is generally in line with budget where expenditure is being incurred, but contingency budgets are held for the purpose of being used if needed and capital debt repayments are lower than had been budgeted following the implementation of the new accounting policy.

10. 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 (NDR) is almost in line with expectations at 71% of budget, while income from council tax is ahead of full year budget and well placed for strong collection levels against budget this year, and income from Scottish Government is above budget, which is due to the profiling of Grant and NDR across the year. Redetermination adjustments to the General Revenue Grant will be made in the final two weeks of March 2020.

The Council receives a substantial income from the commercial tenanted non-residential property (TNRP) portfolio. The income to the TNRP portfolio is invoiced regularly but it is not in even quarters as timing depends on each individual leases. Similarly car parking income is dependent on customer usage, the Q3 results record income as it is received.

Our Financial Performance : Housing Revenue Account

• Performance in Quarter 3

9. Housing Revenue Account (HRA) 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 rental income which at this stage in the year exceeds expenditure incurred. Rental income remains a regular source of funding. The HRA is ahead of budget at Quarter 3 because of billing of repair and maintenance in arrears and also lower than budgeted capital financing costs following the implementation of the new accounting policy, approved earlier this year.

Our Financial Performance : Full Year Forecasts

A comprehensive forecast of revenue and capital budget performance for the General Fund, Housing Revenue Account and the Common Good are provided in Appendix 2 to this report.

Conclusion

This is the third quarterly financial performance report being presented to the Committee for consideration of the financial year 2019/20. This report aims to meet the reporting requirements for the London Stock Exchange as well as enhancing financial transparency by providing information in a manner consistent with the Council's Annual Accounts.

At the end of Quarter 3, of the £41.2 million of savings options that were approved in the budget the full value of savings has not yet been achieved, with the actual outcome of changes only becoming evident during the course of the whole year. I have assessed that over 80% of the savings have been achieved by the end of the Quarter. There are areas where cost pressure means that alternatives are having to be found to balance the budget and in general this has the impact of seeking to reduce staff costs or expenditure in other areas. One area where the Council has been able to provide certainty has been through reducing the cost of capital financing costs and this will help to offset spend levels in integrated childrens services without immediately having a detriment on other service areas.

Based on the information available the level of savings that were approved as part of the budget are generally progressing well, with the staff costs having reduced and vacancy savings confirmed that indicate 97% of the target has been achieved. It is assumed that ongoing vacancy management and turnover will further reduce the costs to meet the targets during the course of the remainder of the year.

I have assurance in the figures based on a range of actions that are being taken to mitigate the risks to the Council, including finance staff working with and advising all functions of the Council, core expenditure Control Boards, regular finance focused senior management review

meetings, CMT stewardship and effective risk management arrangements and the input of the Programme Management Office to support governance arrangements for implementing change.

From a risk management perspective, at the end of the quarter the Council has assessed that it was not necessary for any specific costs to be accounted for in relation to the impact of the UK exit from the EU. Costs that have been incurred are the opportunity costs of staff time on risk management and organisational planning undertaken during the period. Officers recognise the changing situation that exists as the 31 January deadline approaches and are closely monitoring the position through the risk management arrangements.

From a revenue perspective, during the third quarter, a great deal of work has been carried out by staff throughout the Council to ensure that expenditure and income is continually being brought in line with budget over the course of the year. It was essential that progress was made in the first half of the year to achieve much of the savings early and to avoid disproportionate savings targets being imposed later in the year when there are fewer choices that can be made. It is important to note that the savings do need to continue to be achieved across the full year and the impact will continue to be kept under close scrutiny to ensure that action is taken where necessary and to report back to the Committee on any recommendations that are needed to ensure the Council delivers best value and meets its statutory financial obligations this year.

In relation to the capital programme a wide range of projects have progressed towards completion, notably the successful opening of TECA, including P&J Live, Hilton and Aloft hotels, and expenditure has substantially been on projects already in construction, with work starting on Provost Skene's House, Union Terrace Gardens and Housing at Summerhill. Preparatory work and contract finalisation can impact on progress of other projects.

Movement in Reserves Statement

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

	General Fund	Housing Revenue Account	Statutory and Other Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000		£'000	£'000	£'000
Balance at 31 March 2019 brought forward	(35,054)	(12,308)	(10,825)	(482)	(58,669)	(1,230,242)	(1,288,911)
Movement in Reserves during 2019/20							
Total Comprehensive Income & Expenditure	(116,979)	(18,454)	0	0	(135,433)	4,299	(131,133)
Adjustments between accounting basis & funding basis under regulations	34,347	20,650	0	0	54,997	(54,997)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(82,632)	2,197	0		(80,436)	(50,698)	(131,133)
Transfers to/from Earmarked Reserves	6,905	(2,197)	(409)	0	4,299	(4,299)	(0)
(Increase)/Decrease in Year	(75,726)	0	(409)	0	(76,137)	(54,997)	(131,133)
Balance at 31 December 2019	(110,780)	(12,308)	(11,234)	(482)	(134,806)	(1,285,239)	(1,420,044)

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 3, 2019/20				
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	188,585	(13,174)	175,411	1
Customer	28,822	0	28,822	2
Commissioning	5,999	0	5,999	3
Resources	5,062	0	5,062	4
Place	15,015	0	15,015	5
Governance	2,413	0	2,413	6
Integration Joint Board	68,767	0	68,767	7
Corporate	(2,133)	(383)	(2,517)	8
Net Cost of General Fund Services	312,530	(13,557)	298,973	
Housing Revenue Account	(9,044)	(21,013)	(30,057)	9
Net Cost of Services	303,486	(34,570)	268,916	
Other Income and Expenditure	(394,670)	(20,428)	(415,097)	10
(Surplus) or Deficit on Provision of Services	(91,183)	(54,997)	(146,181)	
Opening General Fund and HRA Balance at 31 March 2019	(47,362)			
(Surplus) or Deficit on General Fund and HRA Balance in Year	(91,183)			
To/From Other Statutory Reserves	15,457			
Closing General Fund and HRA Balance at 31 December 2019	(123,089)			

Notes

1. See page 3 for information relating to Net Expenditure chargeable to the General Fund. The £13.174m accounting adjustment relates to the removal of Annual Service Payments for the 3R's schools and Lochside Academy which for accounting purposes are required to be split into its component parts, payment for services; repayment of capital; and financing costs.
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. The £0.383m accounting adjustment relates to contributions to Capital from Current Revenue (CFCR).
9. See page 3 for information relating to Net Expenditure chargeable to the Housing Revenue Account. The £21.013m accounting adjustment relates to CFCR.
10. See page 4 for information relating to Net Expenditure chargeable to the General Fund.
The £20.428m adjustment comprises the following three elements, which realign costs from other parts of the budget:
 - £8.943m is the element of the 3R's and Lochside Annual Service Payments which is reallocated as per note 1 above to bring together financing costs which flow into the Financing and Investment Income and Expenditure line in the CIES below.
 - (£0.396)m that is the allocation of the Marischal Square finance lease payment.
 - (£28.975)m that is the allocation of capital grant income which flows into the Taxation and Non Specific Grant Income line in the CIES below.

Comprehensive Income and Expenditure Statement

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

Services	Quarter 3, 2019/20			Notes
	Gross Expenditure	Gross Income	Net Expenditure	
	£'000	£'000	£'000	
Operations	223,238	(47,827)	175,411	
Customer	76,534	(47,712)	28,822	
Commissioning	9,769	(3,770)	5,999	
Resources	75,191	(70,130)	5,062	
Place	17,494	(2,479)	15,015	
Governance	4,146	(1,733)	2,413	
Integration Joint Board	107,880	(39,113)	68,767	
Corporate	(2,000)	(516)	(2,517)	
Cost of General Fund Services	512,253	(213,280)	298,973	
Housing Revenue Account	42,679	(72,736)	(30,057)	
Cost of Services	554,932	(286,015)	268,916	
Other Operating Expenditure			0	1
Financing and Investment Income and Expenditure	42,849	(36,160)	6,689	2
Taxation and Non Specific Grant Income	0	(421,786)	(421,786)	3
(Surplus) or Deficit on Provision of Services	597,781	(743,962)	(146,181)	
(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			4,299	4
Other Comprehensive Income and Expenditure			4,299	
Total Comprehensive Income and Expenditure			(141,881)	

Notes

1. This line will be used to reflect gains or losses on the disposal of assets which take place during the year.
2. This largely reflects trading income and interest payable and receivable.
3. Income in relation to Council Tax, Non-Domestic Rates collection and Scottish Government General Revenue and Capital Grant.
4. These lines are predominantly used for statutory accounting adjustments.

Balance Sheet

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

31 March 2019 £'000		31 December 2019 £'000	Note
2,438,882	Property, Plant & Equipment	2,599,446	1
197,691	Heritage Assets	197,691	1
145,832	Investment Property	145,832	1
17,638	Long Term Investments	17,638	2
7,592	Long Term Debtors	8,323	3
2,807,636	Long Term Assets	2,968,930	
70,520	Cash and Cash Equivalents	63,143	4
45,213	Short Term Investments	51,752	5
92,158	Short Term Debtors	70,720	6
1,832	Inventories	15,264	7
5,693	Assets Held for Sale	5,693	8
215,417	Current Assets	206,572	
(197,228)	Short Term Borrowing	(146,857)	9
(80,860)	Short Term Creditors	(71,066)	10
(5,259)	Short Term Provisions	(3,408)	11
(4,230)	PPP Short Term Liabilities	(3,057)	12
(5,607)	Accumulated Absences Account	(5,607)	13
(2,989)	Grants Receipts in Advance - Revenue	(471)	14
(13,091)	Grants Receipts in Advance - Capital	(25,747)	14
(309,264)	Current Liabilities	(256,215)	
(895,954)	Long Term Borrowing	(973,804)	15
(58,029)	Finance Lease	(57,602)	16
(13)	Long Term Creditors	(13)	17
(551)	Long Term Provisions	(551)	11
(138,223)	PPP Long Term Liabilities	(135,165)	12
(332,108)	Pension Liabilities	(332,108)	18
(1,424,877)	Long Term Liabilities	(1,499,243)	
1,288,911	Net Assets	1,420,044	
	Usable Reserves:		
(35,054)	General Fund Balance	(110,780)	19
(12,308)	Housing Revenue Account	(12,308)	19
(10,825)	Statutory and Other Reserves	(11,234)	19
(1,230,724)	Unusable Reserves	(1,285,721)	20
(1,288,911)	Total Reserves	(1,420,044)	

Balance Sheet Notes

1. Depreciation is calculated annually and therefore no depreciation has been applied in Quarter 3. Capital expenditure to the end of Quarter 3 totaling £160.563m has been applied to Property, Plant & Equipment (this includes £127.507m of general fund expenditure and £33.056m of HRA expenditure). Disposals, revaluations and transfers have not been accounted for in Quarter 3.
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 include short term investments of £45.348m (because they can be called up at short notice i.e. 0 to 30 days) and developers contributions of £19.841m. 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 account balances. This adjustment has not been made in Quarter 3 but will be included in future quarters.
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 and long term liabilities has been adjusted to reflect the projected position at March 2020.
13. The accumulated absences account is reviewed annually and will therefore be updated in Quarter 4.
14. The grants received in advance totals reflect the position at the end of Quarter 3.
15. Long term borrowing reflects the current position based on transactions for the period.
16. Finance Lease reflects the closing position as at March 2020.

17. Long term creditors reflects the current position based on transactions for the period.
18. Pension liabilities are only reviewed annually and will therefore be updated in Quarter 4.
19. Usable Reserves reflects the current position based on transactions for the period. Usable Reserves includes uncommitted reserves and earmarked reserves, and due to the positive cashflow have increased to a level that is higher than forecast for the end of the year, the cashflow being used to fund expenditure that will be incurred in the second half of the year.
20. Unusable reserves have been adjusted for statutory accounting adjustments as detailed above.

Contingent Liabilities

In addition to amounts recognised on the Balance Sheet, the Council is aware of the following contingent liabilities at 31 December 2019:

Guarantees

Aberdeen Science Centre (formerly Satrosphere)

The Council has agreed to provide a guarantee to the Bank of Scotland for the sum of £127,654 in support of an overdraft facility and card guarantee facility until 31 March 2021.

Transition Extreme Sports Ltd

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of a maximum overdraft facility of £250,000, as approved at City Growth and Resources Committee on 5 December 2019. Exercising the delegated authority provided by the Committee, the Chief Officer – Finance agreed the guarantee until 31 March 2021.

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. A guarantee for a revolving credit facility for £1.4m is also in place.

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.

SEEMIS Group LLP

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

Integration Joint Board (IJB)

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

address this (through a Recovery Plan), ultimately the parties to the arrangement may be potentially liable should the IJB overspend.

Contractual

Waste Disposal

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

The Council is lead partner in a three-authority project with Aberdeenshire and Moray Councils to procure an energy from waste facility which will deal with all residual waste from the three authorities. The contract commenced on 8 August 2019 with the facility expected to come on line in summer 2022, 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.

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 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. Delivery of these projects is now at risk unless an alternative funding solution can be identified.

Our Generation – Solar Panels

A contractual dispute exists in relation to this contract which may give rise to a future financial liability. On 23 July 2019 the Council successfully defended an appeal by Our Generation to the Court of Session on the findings of the original judgement. Discussions continue between the parties to find a resolution to the dispute.

Aberdeen Art Gallery

A contractual dispute exists in relation to who bears the cost of the delays in respect of the refurbishment of the Art Gallery. A Court of Session action was raised against the Council by McLaughlin & Harvey, the main contractor, following adjudication in favour of the Council. This case remains sisted whilst a second adjudication has been raised which may give rise to a future financial liability.

Legal

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 in respect of claims in connection with the subject matter of this inquiry. Several claims which have been received have yet to be assessed and their value is unknown and unquantifiable at this

Multi Storey Blocks

In response to the Grenfell Tower incident, Building Regulation Fire Safety has been reviewed by the Scottish Government, and an updated Technical Handbook published. The provision of automatic fire suppression systems has been deferred until 2021 to align with a government commitment to introduce this within new build social housing. The cost impact of these changes is not quantified at this time.

Public Sector Pension Reform – McLeod Judgement

As a result of the McLeod judgement ruling in England and Wales in June 2019, regarding transitional provisions in public sector pension schemes being unlawfully age discriminatory, it is considered that this is likely to have implications for the Scottish Local Government Pension Scheme (LGPS).

The Government Actuaries Department (GAD) was commissioned to identify the potential impact of the McLeod/Sargeant ruling, and have prepared an assessment of the potential financial impact on the England and Wales LGPS scheme. GAD have quoted that the impact on scheme liabilities of active members is in the region of 2.89%. This would have an impact of £18.8m increase on the Council's current gross pension liabilities.

This value has not been accrued due to the uncertainty on the outcome of the government appeal against the judgement, the remedy to be agreed, and the extent to which the judgement impacts on the LGPS in Scotland.

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.

	Quarter 3 2019/20
	£'000
Net Surplus or (Deficit) on the provision of services	146,181
Adjust net surplus or deficit on the provision of services for non cash movements	(22,782)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(28,975)
Net cash flows from Operating Activities	94,424
Net cash flows from Investing Activities	(125,050)
Net cash flows from Financing Activities	23,249
Net increase or decrease in cash and cash equivalents	(7,377)
Cash and cash equivalents at the beginning of the reporting period	70,520
Cash and cash equivalents at the end of the reporting period	63,143
Cash held by the Authority	39
Bank current accounts	63,104
	63,143