



**FINANCIAL STATEMENT  
FOR THE PERIOD ENDING  
30 SEPTEMBER 2021**

## Contents

|  |    |
|--|----|
| Management Commentary                          | 2  |
| Movement in Reserves Statement                 | 6  |
| Expenditure & Funding Analysis                 | 7  |
| Comprehensive Income and Expenditure Statement | 9  |
| Balance Sheet                                  | 10 |
| Cash Flow Statement                            | 13 |
| Contingent Liabilities                         | 14 |
|  |    |

## 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 6-month period to 30 September 2021.

Combined with Appendix 2, it also provides an insight into the expected financial performance for the remainder of the financial year 2021/22, 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. Appendices 3 and 4 present the latest information in relation to the Common Good and Group entities.

## 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 January 2021 maintaining a rating of 'A1 with a stable outlook', in line with the recent change to the UK's rating in October 2020 remaining one notch below the UK Government. The annual reassessment is scheduled to be carried out in Quarter 3.

The Council has received an unqualified audit opinion for 2020/21 from KPMG, independent external auditor and the outturn position achieved as at 31 March 2020 was in line with forecasts, carrying forward a large value of grant funding, received to support the continued response, but predominantly for recovery from the Covid pandemic. This placed the Council in a strong place to move into 2021/22 and tackle the financial pressures that it faces.

As at 1 April 2021 the Council held Usable Reserves of £99.4 million and had a Net Asset Value of £1.4 billion.

The Council set its 2021/22 budgets on 10 March 2021, approving for the General Fund a range of budget savings options to set a balanced budget for the year. There was no Council Tax increase, the Council is receiving a grant of £4.2m in 2021/22 as compensation for agreeing to freeze Council Tax.

The General Fund budget took account of a range of pay and price inflation pressures, in particular the pay award of c.2%, which was in line with the stated Public Sector Pay Policy of the Scottish Government when the budget was set. This was an estimate as the pay deal came to an end on 31 March 2021. To date a pay deal for 2021/22 has not been reached therefore there is an increased level of uncertainty, made more challenging as the Scottish Government updated its Pay Policy statement in March with increased commitment to the wider public sector staff population. The Council budget anticipated that the level of uncertainty would prevail for 2021/22 and therefore has set aside a further £1.5m to support unexpected costs. It is anticipated that this sum will be needed to address the impact of national pay negotiations. Proposals to make use of Scottish Government approved fiscal flexibilities to manage the cost of capital financing costs are included in the budget. 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. Restrictions have continued and easing these, to enable the opening of all facilities, for example, has taken longer than anticipated in the approved budget. The impact of Covid-19 continues to be felt by the Council, both in supporting our citizens and our city, but also in terms of the impact on Council finances. Income losses, in particular, have been evident throughout the first 6 months and are expected to remain volatile during the remainder of the financial year.

The Scottish Government's commitment (100-day plan) following the Scottish Parliamentary elections in May underlined a number of changes that the Council will have to take account of in 2021/22. This includes the implementation from August 2021 of the 1,140 hours of free early learning and childcare for all three and four year olds, and two year olds that need it most; free breakfasts and lunches for all primary four children from August, before further changes in 2022; and music education tuition charges being removed from August too.

The Housing Revenue Account budget was approved with no increase in rents for 2021/22 and 2022/23, which was a deviation from the approved Council fixed term rent policy.

## **Our Financial Performance: General Fund**

### **• Performance in Quarter 2**

In March 2021, the Council set its General Fund and Housing Revenue Account (HRA) revenue and capital budgets for the financial year 2021/22. 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 from 1 April to 30 September 2021 presented in the format of our Annual Accounts on pages 7 to 14.

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 41% against the full year budget, the functions net expenditure for the year is below budget as a result of receiving the full year ELC grant in August & carrying forward unspent grant from 2020/21. The majority of services are under budget there are a number of significant over such as Out of Authority Placements spend being offset in part by lower spend on Fostering and Fleet.

#### 2. Customer

At 43% against the full year budget, the function's net expenditure for the year to date is under budget. Housing benefits are currently showing they have over achieved budget however this is a timing issue and will be resolved as the year progresses. The main overspend is within Housing Access which reflects the under achievement of income from the homeless flats.

#### 3. Commissioning

At 44% against the full year budget, the function's net expenditure for the year is below budget. This relates to the carry forward of a number of Covid-19 City Growth government grants the main one being Young Persons Guarantee these expect to be fully utilised during 2021/22.

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

The function's net expenditure is 44% against the full year budget. This relates to the carry forward of Covid -19 grant income which expect to be fully utilised in 2021-22.

#### 6. 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, including for pay as described above, are held for the purpose of being used if needed.

#### 7. 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.

Income from Non-Domestic Rates (NDR) is lower than expected at 40% of full year budget. There continues to be challenges in collection as businesses continue to be impacted by fallout from COVID-19. This position may improve as we progress through the year. The Scottish Government will top up any shortfall at the end of the financial year, through a net payment received as an adjustment to the Council's General Revenue Grant.

As at quarter 2 income from Council Tax continues to forecast to be £5m under budget for the full year, collection levels are currently low, although 2% above the level experienced last year. The Council has submitted Council Tax Reduction returns to the Scottish Government at the end of quarter 1 and will update these during the financial year. The values in these returns will inform them and assist with their decision on a possible redetermination for Council Tax Reduction, which is indicative of the increased numbers of applications and awards being made.

Income from Scottish Government is above budget, which is due to the profiling of Grant and NDR across the year. The Scottish Government front loaded General Revenue Grant payments and NDR billing was undertaken earlier than 2020/21, in line with previous years. Further adjustments will be made following the submission of the mid-year NDR estimates and redetermination adjustments to the General Revenue Grant will be made in the final two weeks of March 2022 although we have started to reflect a number of these such as free school meals for P4 & P5, Music Service, Cost Pressures and Curriculum Funding as funding letters have been received.

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 individual leases. The level of collection for 2021/22, and therefore provision for bad debt, is currently under review.

Income from car parking has not returned to pre COVID-19 levels, improvements have not been seen over the summer months this continues to be monitored on an ongoing basis.

At quarter 2 the under achievement of income from Building Services is forecast at £2m under budget for the full year this is resulting from the reduced level of work following from the impact of Covid-19 and from the supply chain delays.

## Our Financial Performance: Housing Revenue Account

### • Performance in Quarter 2

8. 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 2 because the capital financing charges have yet to be charged through the account and low spend on Repairs and Maintenance. The loss of income arising from voids continue to be a pressure in the second quarter, principally due to the competitive private rental market and current tenant arrears have increased by £1m in the first two quarters, and from the aged debt analysis tenants are taking longer to pay their debts.

### 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 is provided in Appendix 2 to this report.

### Conclusion

This is the second quarterly financial performance report being presented to the City Growth & Resources committee for consideration of the financial year 2021/22.

Following a year of lockdown restrictions caused by the Covid-19 pandemic, which led to increased pressures over many areas of the Council's finances, and meant the Council had to rebalance its budget in 2020/21, the year ended positively with the Council recording a small surplus, and carrying substantial grant funding, directly related to the Covid-19 pandemic, into the new financial year.

The Council agreed in its budget for 2021/22 to use some of that grant funding, £6.5m, to support the service standards and commissioning intentions in place.

The impact of the pandemic has been unprecedented in nature and the changing environment as restrictions ease in 2021/22 means that this year too will be uncertain, with response and recovery all part of the work of the Council.

The impact has continued in the first half of the year to affect our finances, with reduced income in areas such as car parking, Council Tax, planning and building fees, commercial income. This is supported by positive cashflow in terms of monies held by the Council and also front-loaded in relation to grant payments for this year.

Spend levels are high in certain areas of the budget that will be familiar in respect of children and education services, and there has been an increased recruitment and retention of teachers in schools.

It is clear that as restrictions and guidance change the Council is experiencing emerging demands to deliver support in the areas such as additional grants schemes and for track and trace response that are placing additional pressure on the staff and financial resources that the Council has.

During the remainder of the year the Council will continue to review and assess the changes that the local financial environment and pandemic has brought about and will re-evaluate the position to ensure that expenditure and income is being monitored and managed as required, taking appropriate action when required. The next reporting period will be Quarter 3, which will be prepared for Committee on 3 February 2022.

## 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                  |
| <b>Balance at 31 March 2021 brought forward</b>                        | <b>(71,603)</b>  | <b>(14,715)</b>         | <b>(11,900)</b>              | <b>(1,182)</b>           | <b>(99,401)</b>       | <b>(1,313,766)</b>      | <b>(1,413,167)</b>     |
| <b>Movement in Reserves during 2021/22</b>                             |                  |                         |                              |                          |                       |                         |                        |
| Total Comprehensive Income & Expenditure                               | (140,215)        | (48,244)                | 0                            | 0                        | <b>(188,458)</b>      | 0                       | <b>(188,458)</b>       |
| Adjustments between accounting basis & funding basis under regulations | 24,234           | 17,117                  | 0                            | 0                        | <b>41,351</b>         | (41,351)                | <b>0</b>               |
| <b>Net (Increase)/Decrease before Transfers to Reserves</b>            | <b>(115,980)</b> | <b>(31,127)</b>         | <b>0</b>                     | <b>0</b>                 | <b>(147,107)</b>      | <b>(41,351)</b>         | <b>(188,458)</b>       |
| Transfers to/from Reserves   | 161              | 0                       | (161)                        | 0                        | <b>(0)</b>            | (0)                     | <b>(0)</b>             |
| <b>(Increase)/Decrease in Year</b>                                     | <b>(115,819)</b> | <b>(31,127)</b>         | <b>(161)</b>                 | <b>0</b>                 | <b>(147,107)</b>      | <b>(41,351)</b>         | <b>(188,458)</b>       |
| <b>Balance at 30 September 2021</b>                                    | <b>(187,422)</b> | <b>(45,842)</b>         | <b>(12,061)</b>              | <b>(1,182)</b>           | <b>(246,508)</b>      | <b>(1,355,117)</b>      | <b>(1,601,625)</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.*

| Services   | Net Expenditure chargeable to General Fund & Housing Revenue Account<br>£'000 | Adjustments between funding & Accounting basis<br>£'000 | Net Expenditure in the CIES<br>£'000 | Notes |
|--|---|---|--------------------------------------|-------|
| Operations   | 104,655   | (13,327)  | 91,328                               | 1     |
| Customer   | 14,892  | 0   | 14,892                               | 2     |
| Commissioning  | 9,733   | 0   | 9,733                                | 3     |
| Resources  | (5,423)   | 0   | (5,423)                              | 4     |
| Integration Joint Board  | 50,165  | 0   | 50,165                               | 5     |
| Corporate  | (14,036)  | (500)   | (14,536)                             | 6     |
| <b>Net Cost of General Fund Services</b>                         | <b>159,986</b>  | <b>(13,827)</b>   | <b>146,160</b>                       |       |
| Housing Revenue Account  | (31,127)  | (17,110)  | (48,236)                             | 7     |
| <b>Net Cost of Services</b>                                      | <b>128,860</b>  | <b>(30,936)</b>   | <b>97,924</b>                        |       |
| Other Income and Expenditure                                     | (275,966)   | (10,415)  | (286,382)                            | 8     |
| <b>(Surplus) or Deficit on Provision of Services</b>             | <b>(147,107)</b>  | <b>(41,351)</b>   | <b>(188,458)</b>                     |       |
| Opening General Fund and HRA Balance at 31 March 2021            | (86,318)  |   |                                      |       |
| (Surplus) or Deficit on General Fund and HRA Balance in Year     | (147,107)   |   |                                      |       |
| To/From Other Statutory Reserves                                 | 161   |   |                                      |       |
| <b>Closing General Fund and HRA Balance at 30 September 2021</b> | <b>(233,264)</b>  |   |                                      |       |

## Notes

- See page 3 for information relating to Net Expenditure chargeable to the General Fund. The £13.327m 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.
- 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.
- 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.
- 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.
- 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.
- See page 3 for information relating to Net Expenditure chargeable to the General Fund. The £0.500m accounting adjustment relates to CFCR.
- See page 3 for information relating to Net Expenditure chargeable to the Housing Revenue Account. The £17.110m accounting adjustment relates to CFCR.



8. See page 4 for information relating to Net Expenditure chargeable to the General Fund. The £10.415m adjustment comprises the following three elements, which realign costs from other parts of the budget:

£8.689m 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.

(£0.461)m that is the allocation of the Marischal Square finance lease payment.

(£18.643)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 2, 2021/22 |                  |                  | Notes |
|--|--------------------|------------------|------------------|-------|
|  | Gross Expenditure  | Gross Income     | Net Expenditure  |       |
|  | £'000              | £'000            | £'000            |       |
| Operations   | 143,601            | (52,273)         | 91,328           |       |
| Customer   | 45,044             | (30,151)         | 14,892           |       |
| Commissioning  | 16,514             | (6,782)          | 9,733            |       |
| Resources  | 49,441             | (54,864)         | (5,423)          |       |
| Integration Joint Board  | 78,785             | (28,619)         | 50,165           |       |
| Corporate  | (12,847)           | (1,689)          | (14,536)         |       |
| <b>Cost of General Fund Services</b>                                       | <b>320,537</b>     | <b>(174,378)</b> | <b>146,160</b>   |       |
| Housing Revenue Account  | 2,897              | (51,133)         | (48,236)         |       |
| <b>Cost of Services</b>  | <b>323,435</b>     | <b>(225,511)</b> | <b>97,924</b>    |       |
| Other Operating Expenditure  | 0                  | 0                | 0                | 1     |
| Financing and Investment Income and Expenditure                            | 60,828             | (11,602)         | 49,226           | 2     |
| Taxation and Non Specific Grant Income                                     | 0                  | (335,607)        | (335,607)        | 3     |
| <b>(Surplus) or Deficit on Provision of Services</b>                       | <b>384,262</b>     | <b>(572,721)</b> | <b>(188,458)</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   |                    |                  | 0                | 4     |
| <b>Other Comprehensive Income and Expenditure</b>                          |                    |                  | <b>0</b>         |       |
| <b>Total Comprehensive Income and Expenditure</b>                          |                    |                  | <b>(188,458)</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. 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 2021<br>£'000 |                                       | 30 September<br>2021<br>£'000 | Note |
|------------------------|---------------------------------------|-------------------------------|------|
| 2,386,544              | Property, Plant & Equipment           | 2,484,438                     | 1    |
| 198,068                | Heritage Assets                       | 198,068                       | 1    |
| 191,968                | Investment Property                   | 191,968                       | 1    |
| 16,343                 | Long Term Investments                 | 16,343                        | 2    |
| 742                    | Long Term Debtors                     | 702                           | 3    |
| <b>2,793,665</b>       | <b>Long Term Assets</b>               | <b>2,891,519</b>              |      |
| 119,699                | Cash and Cash Equivalents             | 75,010                        | 4    |
| 40,276                 | Short Term Investments                | 59,349                        | 5    |
| 139,388                | Short Term Debtors                    | 151,439                       | 6    |
| 2,071                  | Inventories                           | 2,450                         | 7    |
| 13,700                 | Assets Held for Sale                  | 13,700                        | 8    |
| <b>315,135</b>         | <b>Current Assets</b>                 | <b>301,948</b>                |      |
| (232,391)              | Short Term Borrowing                  | (213,958)                     | 9    |
| (117,073)              | Short Term Creditors                  | (47,140)                      | 10   |
| (549)                  | Short Term Provisions                 | 0                             | 11   |
| (4,638)                | PPP Short Term Liabilities            | (4,527)                       | 12   |
| (7,423)                | Accumulated Absences Account          | (7,423)                       | 13   |
| (2,909)                | Grants Receipts in Advance - Revenue  | (908)                         | 14   |
| (21,047)               | Grants Receipts in Advance - Capital  | (19,202)                      | 14   |
| <b>(386,030)</b>       | <b>Current Liabilities</b>            | <b>(293,158)</b>              |      |
| (1,003,257)            | Long Term Borrowing                   | (997,449)                     | 15   |
| (57,141)               | Finance Lease                         | (56,643)                      | 16   |
| 0                      | Long Term Creditors                   | 0                             | 17   |
| (551)                  | Long Term Provisions                  | (464)                         | 11   |
| (130,565)              | PPP Long Term Liabilities             | (126,038)                     | 12   |
| (118,090)              | Pension Liabilities                   | (118,090)                     | 18   |
| <b>(1,309,604)</b>     | <b>Long Term Liabilities</b>          | <b>(1,298,685)</b>            |      |
| <b>1,413,167</b>       | <b>Net Assets</b>                     | <b>1,601,625</b>              |      |
|                        | Usable Reserves:                      |                               |      |
| (71,603)               | General Fund Balance                  | (187,422)                     | 19   |
| (14,715)               | Housing Revenue Account               | (45,842)                      | 19   |
| (11,900)               | Statutory and Other Reserves          | (12,061)                      | 19   |
| (1,182)                | Capital Grants and Receipts Unapplied | (1,182)                       |      |
| (1,313,766)            | Unusable Reserves                     | (1,355,117)                   | 20   |
| <b>(1,413,167)</b>     | <b>Total Reserves</b>                 | <b>(1,601,625)</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 totalling £97.894m has been applied to Property, Plant & Equipment (this includes £63.003m of general fund expenditure and £34.891m of HRA expenditure). Disposals, revaluations and transfers have not been accounted for in Quarter 1.
2. Long Term Investments comprises the council's interest in Aberdeen Sports Village.
3. Long term debtors reflects the movement based on transactions for the period.
4. Cash and cash equivalents include short term investments of £42.651m (because they can be called up at short notice i.e. 0 to 35 days) and developer's contributions of £27.878m. 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.
8. Assets held for sale reflect the position at March 2021. This will be reviewed in Q4
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 2022.
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 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 2022.
17. Long term creditors reflect 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.

## Cash Flow

*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<br/>2021/22</b> |
|--|------------------------------|
|  | <b>£'000</b>                 |
| Net Surplus or (Deficit) on the provision of services  | 188,458                      |
| Adjust net surplus or deficit on the provision of services for non cash movements  | (125,449)                    |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (18,643)                     |
| Net cash flows from Operating Activities   | 44,366                       |
| Net cash flows from Investing Activities   | (60,178)                     |
| Net cash flows from Financing Activities   | (28,878)                     |
| Net increase or decrease in cash and cash equivalents  | (44,690)                     |
| Cash and cash equivalents at the beginning of the reporting period   | 119,699                      |
| <b>Cash and cash equivalents at the end of the reporting period</b>  | <b>75,010</b>                |
| Cash held by the Authority   | 41                           |
| Bank current accounts  | 74,969                       |
|  | <b>75,010</b>                |

## **Contingent Liabilities**

In addition to amounts recognised on the Balance Sheet, the Council is aware of the following contingent liabilities at 30 September 2021:

### **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 30 September 2022, as approved at a meeting of full Council on 10 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 Council on 10 March 2021. This guarantee will remain in force until 30 September 2022.

#### **Sport Aberdeen**

The Council agreed to provide a bank guarantee to Sport Aberdeen up to a maximum of £5 million as approved at the 7 June 2016 Finance, Policy and Resources Committee. There is currently a Revolving Credit Facility for £1.4 million in place.

#### **Aberdeen Performing Arts**

The Council has agreed to provide a guarantee to Aberdeen Performing Arts up to a maximum of £356,000 until 31 March 2022, as approved at Council on 10 March 2021.

#### **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 online in summer 2022 and will run for 20 years.

### **Section 75 agreements**

Section 75 agreements (developer obligations) are frequently sought by the Council in relation to the award of planning permission. The possibility of liabilities arises in cases where the developer is not adhering to the agreed payment schedule and the Council elects to proceed with a project where that developer obligation funding is due. In these cases, unless a resolution can be found with the developer, the Council may be exposed to additional costs due to higher levels of borrowing than originally anticipated in order to “cashflow” a legally committed project. Costs could apply to the short, medium or long-term depending on the circumstances.

The risk board agreed that the Developer Obligations working group would escalate to CMT any developers who fall behind on payments, and where necessary this will be reported to City Growth & Resources Committee in this report. This is a risk which may crystalize in the current housing market conditions due to high supply costs and reduced supply of labour.

The inherent risk with all developer obligation funded projects is whether the build rate of the development is triggering financial contributions at the rate required to fund the Council projects involved. Where the Council project advances more quickly than the development, the Council may have to step in to “cashflow” the necessary funding requirement. Where a project has not been legally committed, a failure to receive the supporting developer obligation funding may require a discussion to determine whether the project should be paused, or even stopped completely. More detailed monitoring is therefore required by Planning to forecast expected build rates on developments and map out the timelines of expected trigger points for release of funding.

### **Impact of Covid on Working Practices, Social Distancing and the Capital Programmes**

The emergence of Covid has resulted in new working practice guidelines being issued by the Scottish Government, to set new standards to allow consultants, contractors, sub-contractors and their suppliers to work safely during the pandemic. These unforeseen changes resulted in the construction industry incurring additional costs for compliance with the risk of delays to projects. These measures may also



restrict numbers of staff on site which may slow down progress on works. These impacts have manifested in projects which were on site at the time of the initial lockdown, and discussions between the Council and the relevant contractors are ongoing to determine liability for additional costs. The Council are aware that the Construction Industry is now experiencing shortage of products, raw materials, staffing and logistical support which is impacting on current and future costs across the UK. Ordering lead times are extending across the sector with the risk of increased delay impacts to projects. There is evidence of a contraction in the Construction Industry particularly in terms of small to medium sized suppliers.

### **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. The matter remains outstanding and is subject to further legal proceedings.

### **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 “MCLH”, the main contractor, following adjudication in favour of the Council.

Following consideration of the outcome of the second adjudication, the Council raised a new Court of Session action in May 2020. MCLH lodged defences, and made a counterclaim against the Council, which the Council has defended. MCLH subsequently dropped their earlier action raised against the Council. The court action will reconsider the previous adjudication decisions. This may give rise to a future financial liability.

### **Scottish Child Abuse Enquiry**

The Scottish Parliament introduced a redress Bill on 13 August 2020 for survivors of abuse in care in Scotland. Survivors as an alternative to civil litigation may choose to apply for redress. Local Authorities, as a Local Government sector, will pay financial contributions towards the redress scheme and this has now been agreed as part of the Local Government Settlement and will be applied for the next 10 years.

The Council may still receive civil claims relating to periods of time in care. The costs of these are unquantifiable at this time, but will give rise to a future financial liability.

### **COVID-19 Impact**

Statute and government guidance restricting the movement of people and effectively locking down the country has now eased; however, restrictions have not yet been fully lifted. Whilst the Council has prepared its 2021/22 budget to include known Covid-19 related implications, there remains the possibility that further costs may arise that were not previously identified.

