

ABERDEEN CITY COUNCIL

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COMMITTEE	Council
DATE	23 August 2017
REPORT TITLE	Council Financial Performance – Quarter 1, 2017/18
REPORT NUMBER	CG/17/084
LEAD OFFICER	Steven Whyte, Head of Finance
REPORT AUTHOR	Sandra Buthlay

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**1. PURPOSE OF REPORT:-**

1.1 To provide the financial position of the Council, as at Quarter 1 (April – June 2017) and the full year forecast position for the financial year 2017/18, 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 Council note the following:-

- a) General Fund and HRA financial performance as detailed in Appendix 1;
- b) Common Good financial performance as detailed in Appendix 3;
- c) General Fund forecast revenue position as detailed in Appendix 2;
- d) HRA forecast revenue position as detailed in Appendix 2;
- e) General Fund five year capital position as detailed in Appendix 2;
- f) HRA forecast capital position as detailed in Appendix 2; and
- g) Common Good forecast revenue position as detailed in Appendix 1.

2.2 It is recommended that Council agree the following, further details of which are provided in Appendix 2:

2.2.1 General Fund Revenue

- h) Allocation of £130,000 from the Contingency budget to fund additional resources to respond to the Scottish Child Abuse Inquiry;
- i) Allocation of £50,000, initially from the Contingency budget, to fund the reburial of human remains at the Mither Kirk on the understanding that other sources of funding will be investigated and if identified used to reimburse the General Fund;

- j) Further to the confirmation by Council on 29 June 2017 of its commitment to the project, agree the use of the “De-Risk the Council” earmarked reserve to provide a £2m loan to Aberdeen Performing Arts (APA) for the redevelopment of the Music Hall and delegate authority to the Head of Legal & Democratic Services in consultation with the Head of Finance to agree the terms of the loan and associated legal agreements; and
- k) Instruct the Head of Finance to work with Services, using his influence as appropriate, to ensure the budget position agreed by Council is adhered to.

### 2.2.2 General Fund Capital

- l) Inclusion of the JIVE (Joint Initiative for Hydrogen Vehicles across Europe) project in the programme with the current provisional figures, Gross Expenditure £7.2m, Gross Income £4.7m, Net Expenditure £2.5m to be funded by borrowing;
- m) Further to the agreement in principle by Council on 21 June 2017 to purchase Kingsmead Nursing Home agree the inclusion of the acquisition in the programme with delegated authority provided to the Head of Land & Property Assets in consultation with the Convener of Finance, Policy & Resources, Head of Finance and Head of Legal & Democratic Services to negotiate and conclude the purchase of the property; and
- n) Further to the report to Audit, Risk & Scrutiny committee on 27 June 2017 on Capital Programme Governance and the actions contained therein, provide delegated authority to the Interim Director of Communities, Housing & Infrastructure, in consultation with the Head of Finance, Head of Legal & Democratic Services and Convener of Finance, Policy & Resources to allocate funds for Project Management and Other costs from the Construction Inflation budget.

### 2.2.3 Common Good

- o) Allocation of £20,000 funding to Celebrate Aberdeen;
- p) Allocation of £2,000 funding from the International Twinning budget to the Aberdeen History Society;
- q) Allocation of £56,000 for the Denis Law Freedom of the City event; and
- r) Allocation of up to £1m capital funding for the proposed redevelopment of Aberdeen Science Centre, to be phased over financial years 2018/19 and 2019/20, with this being subject to the exploration of other funding sources thereby reducing the amount required from the Council, and with delegated authority to the Head of Legal & Democratic Services, in consultation with the Head of Finance to agree the terms associated with the funding.

## **3. BACKGROUND/MAIN ISSUES**

- 3.1 This is the first quarterly financial report for 2017/18, representing the first stage of a stepped change in the way the Council reports its financial position.
- 3.2 This report focuses on both the financial performance for the quarter April to June 2017 and the projected financial position for the full year for the Council’s General Fund, Housing Revenue Account and Common Good.

- 3.3 Quarterly reporting will evolve throughout the year to incorporate further changes such that the ultimate aim of a faster year end closedown and the production of the unaudited annual accounts by the end of April 2018 can be achieved. This means the Council would have produced its annual accounts two months earlier than the statutory deadline.
- 3.4 The performance for the first quarter is a positive one with expenditure and income largely in line with budget for this stage of the year. Notwithstanding this there are cost and demand pressure areas which services are actively managing. Further information on this is contained within Appendices 1 and 2 to this report.
- 3.5 The financial statements contained within Appendix 1 reflect the income and expenditure for the quarter and start to reflect some of the statutory accounting adjustments required to ensure compliance with International Financial Reporting Standards (IFRS). These are detailed within the appendix and the application of such adjustments will evolve throughout the year with further adjustments being reflected in future quarterly reports.
- 3.6 The Balance Sheet figures at 30 June 2017 reflect the actual position at the balance sheet date where appropriate, the resultant figure including statutory adjustments where these have been made or where they haven't be made the figure at 31 March 2017 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. This in part reflects that there is currently a net income position due to the timing of the receipt of income from the Scottish Government.
- 3.7 The forecast outturn position for the year reflected in Appendix 2 shows that the Housing Revenue Account is line with budget whilst General Fund revenue has a small overspend which will be addressed during the year along with emerging cost pressures through a strategic review of spend. In addition to this and as per normal practice, to ensure the financial stability of the Council, the Head of Finance will work with Services, using his influence as appropriate and where necessary, to ensure the financial position of the Council is in line with the budget as agreed by Council.
- 3.8 The General Fund capital programme has been re-profiled since the budget was set in February 2017 to take account of amounts budgeted but not spent in 2016/17. This has no impact on overall project costs. Subsequent approvals by committee and fully funded projects have also been added to the programme.
- 3.9 The Housing capital programme is currently projected to be maintained within the funded level which assumes a level of underspend will occur across projects.
- 3.10 Common Good is reflecting a small underspend against budget which will be partly utilised should the recommendations contained within this report be approved.

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

- 4.1 The financial performance of the Council's main accounts, General Fund, Housing Revenue Account and Common Good for the first quarter, April – June 2017, of the financial year 2017/18 is reflected in Appendices 1 and 3 to this report.
- 4.2 The forecast full year financial position for these same accounts, both revenue and capital is provided in Appendix 2 to this report.
- 4.3 Appendix 1 also includes a Management Commentary providing:
- Further information on the Performance in Quarter 1; and
  - Further information on the 2017/18 Projected Financial Position, including details of the items for which there are specific recommendations above.
- 4.4 Following a positive financial performance in 2016/17, the Council starts the financial year 2017/18 with a strong financial platform from which to operate. It is recognised that this will be another financially challenging year and that strong fiscal management coupled with financial restraint will be required to ensure that a balanced position against budget is achieved which in turn will continue to provide a strong balance sheet for future financial years.
- 4.5 Services continue to manage increased demand within the current service delivery model and structure within which the Council operates and this requires continuous close fiscal management. Indeed services are examining all areas of spend with a view to avoiding expenditure except where absolutely necessary.
- 4.6 A small overspend position against budget is currently forecast for the year for the General Fund. This is in the context of a number of identified cost and/or demand pressures on services which require to be addressed during the remainder of the year.
- 4.7 A short life working group has been set up to carry out a strategic review of spend across a range of council wide areas including procurement, workforce, technology and service specific areas where there has been historic or current budget pressures, taking into consideration trends and benchmarking data where possible to inform options going forward. Initial work carried out by the group indicates that whilst there are challenges ahead, a number of options are available to address these, which coupled with general restraint on spend means that a balanced position can be achieved.
- 4.8 These options will continue to be developed over the course of the next few weeks for initial review by services and consideration by the Corporate Management Team (CMT). Thereafter, proposed options will be taken through the proper governance process including consultation with Elected Members and reporting to committee for formal decisions where necessary.

#### **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 and issue of bonds.

## **6. MANAGEMENT OF RISK**

### **Financial**

- 6.1 Every organisation has to manage the financial risks inherent in the operation of large and complex budgets. These risks are minimised by the regular review of financial information by services and corporately by Elected Members. This report is part of that framework and has been produced to provide an overview of the current operating position and so financial risk related to this report is considered to be low.
- 6.2 The main financial risk that the Council is managing is the increased demand on services. This is being mitigated through reviewing all areas of expenditure with a view to only incurring expenditure that is absolutely necessary.
- 6.3 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. This risk is mitigated through quantification and review of indicative project costs by suitably qualified staff or external body where appropriate.

### **Other**

- 6.2 Consideration has also been given to Employee, Customer / Citizen, Environmental, Technological and Legal risks, and no risks were identified.

### **Reputational**

- 6.7 The reputational risks to the Council are minimised by the regular review of financial information by services, CMT and Elected members throughout the Financial Year.

## **7. IMPACT SECTION**

### **Economy**

- 7.1 Investment in the city will have a positive impact on the economy.

### **People**

- 7.4 Robust management of the council's finances will ensure that council services can continue to be provided.

### **Place**

- 7.5 Investment will enhance the place by creating a better and more vibrant city in which to live.

### **Technology**

- 7.6 There are no direct implications on technology arising from the recommendations of this report

**8. BACKGROUND PAPERS**

None

**9. APPENDICES**

Appendix 1 – Financial Statement for the quarter 1 April – 30 June 2017

Appendix 2 – Projected Financial Position for the year 2017/18

Appendix 3 – Common Good Financial Statement for the quarter 1 April – 30 June 2017

**10. REPORT AUTHOR DETAILS**

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