



ABERDEEN
CITY COUNCIL

FINANCIAL STATEMENT
FOR THE QUARTER
1 APRIL 2017 TO 30 JUNE 2017

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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 June 2017.

It also provides an insight into the expected financial performance for the remainder of the financial year 2017/18, 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 next review of the Council's credit rating is due to take place in October 2017.

The credit rating and LSE listing has brought a number of reporting and governance requirements on the Council which in turn has led to a move from monthly to quarterly financial reporting and a change in the focus and format of the reporting to provide a holistic view of the Council's financial position as would be expected by investors in an LSE listed organisation.

This is the first quarterly financial performance report for 2017/18, representing the first stage of a stepped change in the way the Council reports, which not only meet the new requirements but also increases financial transparency for citizens of the City and beyond.

Our Financial Performance

• Performance in Quarter 1

In February 2017, the Council set its General Fund and Housing Revenue Account (HRA) revenue and capital budgets for the financial year 2017/18. Performance for the year is measured against these budgets with the projected 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 June 2017 as presented, in the format of our Annual Accounts, on pages 7 to 14.

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.

1. Education and Children's Services is the largest service provider within Aberdeen City Council with responsibility for delivering key statutory and frontline services to children and young people, adults, families and communities of Aberdeen. This includes the delivery of early years, primary, secondary and special education, children's social work services and cultural services for all ages through the provision of libraries and museums.

At 24% against the full year budget, the services net expenditure for the first quarter is in line with expectations. However, 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.

2. Communities, Housing and Infrastructure is responsible for a broad range of services to those who live, work, visit and invest in the City of Aberdeen, each day providing thousands of transactions such as school meals; waste collections; repairs to housing, roads, street lighting and other infrastructure; planning and building control applications; housing and homelessness applications and many more, maintaining standards within our streets and public open spaces, managing the Council's assets and providing facilities management to all of the Council's public buildings, schools and operational properties, providing protective services such as Environmental Health, Food Safety, Commercial Health and Safety, Public Analyst, Trading Standards and Community Safety and playing a major role in shaping the future of the City of Aberdeen via Planning and Sustainable Development and Economic Development services.

At 23% against the full year budget, the services net expenditure for the first quarter is in line with expectations. However, the Service is currently managing pressures mainly in relation to income from the recharge of in house consultancy/design teams for work undertaken.

3. 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 26% against the full year budget, net expenditure on these services for the first quarter 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 in relation to services for those transitioning from children's services with support needs.

4. Corporate Governance is responsible for a number of front line services such as housing benefits, council tax and non domestic rates billing and collection and customer services. In addition it supports the Council through the provision of Finance, HR, Legal and IT services.

At 24% against the full year budget, the services net expenditure for the first quarter is in line with expectations and like other services must manage any cost pressures which arise during the year.

5. Office of the Chief Executive is a relatively small service which includes the head of paid service (Chief Executive) as well as the provision of communications and promotions services for the Council.

At 27% against the full year budget, the services net expenditure for the first quarter is in line with expectations. There are no major cost pressures facing the service at this time.

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

At 22% against the full year budget, net expenditure for the first quarter is in line with expectations with no major variances expected against budget for these areas.

7. 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 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.

8. 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 net income from trading services is in line with the full year budget whilst income from council tax, non domestic rates and government grants is ahead of budget largely due to the phasing of government grants.

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.

2017/18 Projected Financial Position

• General Fund Revenue

Appendix 2 shows that a small overspend position against budget is currently forecast for the year. 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. 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 a balanced position can be achieved. 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. Further information on the pressure areas is contained within Appendix 2.

Whilst budgets are set taking account of all known future requirements at the time, it is normal for items to arise during the year which require to be addressed. At this time the following items have been identified which require consideration and approval in order to progress:

- The ongoing national inquiry into historic child abuse in Scotland is now underway and the Council has been subject to a number of requests from the Inquiry. The historic nature of the inquiry, which covers from 1930 to 2014 means demand on a range of services to access information is significant and requires resource going forward to ensure adequate and timely responses to the Inquiry. A business case has been prepared and it is recommended that additional resources be secured to assist in responding to the Inquiry. The business case identifies part year costs of £84k and full year costs of £130k which can be met from the Contingency budget and it is therefore recommended that Council agree to the allocation of funding for this purpose.
- Approximately 2,000 buried bodies were uncovered during the archaeological work undertaken at the Mither Kirk. It is intended that all the human remains will be reinterred, in a religious ceremony, below the floor of the new building which is to be constructed inside the exterior walls. The reburial of the bodies will cost approximately £50,000 and the Open Space Trust who are undertaking the wider Mither Kirk project has asked the Council to consider funding this. Options on a funding source are being investigated, however to allow the reburial to proceed it is recommended that this amount be allocated from the Contingency budget meantime on the basis that should alternative funding be identified, the General Fund will be reimbursed.
- At its meeting on 29 June 2016, Council considered a report on the Music Hall Redevelopment and agreed to confirm its commitment to the Music Hall redevelopment project; and to instruct the Head of Legal and Democratic Services to enter into a legally binding agreement with Aberdeen Performing Arts to ensure the Council's interests are suitably protected. The report contained information on the provision of a guarantee to provide a loan of up to £2m to Aberdeen Performing Arts (APA) towards the redevelopment and this guarantee has previously been cash backed through the "De-Risk the Council" earmarked reserve. APA have recently approached the Council to request drawdown against this guarantee and the process of agreeing the terms and legal documentation for the loan is underway. It is therefore recommended that Council confirm its commitment to the provision of this loan, the use of the earmarked reserve to fund the loan and delegate authority to the Head of Legal & Democratic Services in consultation with the Head of Finance to agree the terms and legal agreement taking cognisance of the aforementioned Council decision.

• **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 five year capital programme as it currently stands. This varies from that agreed by Council in February 2017 for a number of reasons:

- re-profiling of expenditure having taken account of actual expenditure incurred to 31 March 2017;
- inclusion of projects approved by Finance, Policy & Resources Committee on 9 March 2017;
- inclusion of the City Duct Network project as approved and fully funded by the City Region Deal; and
- inclusion of planning condition costs for the Stoneywood Primary project which are fully funded by developer contributions.

Two projects have been identified which if approved to be included in the programme will require to be funded:

- JIVE (Hydrogen Buses Phase 2) – at its meeting on 9 March 2017, the Finance, Policy & Resources Committee agreed to approve the signing of the JIVE Grant Agreement by a Proper Officer of Aberdeen City Council on condition that the Council must notify their intention to leave the project by October 31st if they are unable to demonstrate a Scottish Government financial contribution of £3m. This was on the basis that this contribution was unconfirmed at that time. This has now been confirmed and is reflected below:

Total Project Cost *	£7.2m
EU & Scottish Government Funding	£4.7m
Net Project Cost – to be funded by ACC *	£2.5m

* This is the provisional total and net project cost at this stage. Work is ongoing around some elements of the project, such as the procurement of the buses, which may affect this cost.

It is requested that approval be given for this project to be included within the capital programme at a provisional net cost to the Council of £2.5m.

- Kingsmead Nursing Home – at its meeting on 21 June 2017, Council agreed in principle to purchase Kingsmead Nursing Home, subject to the Integration Joint Board (IJB) agreeing to cover the capital financing costs and the running costs of the Nursing Home; and that further updates would be provided to the Finance, Policy and Resources Committee as the options identified were progressed. This purchase route is required as the IJB does not have the legal powers to incur capital expenditure or hold assets, however it can provide funding to cover all revenue costs associated with the purchase and running of the facility.

Work is progressing on this including discussion on purchase price and consideration of work required to bring the facility to a suitable standard. It is now requested that delegated authority be provided to the Head of Land & Property Assets in consultation with the Head of Finance, Head of Legal & Democratic Services and Convener of Finance, Policy & Resources Committee to negotiate and conclude the purchase of the property.

The Audit, Risk & Scrutiny Committee on 27 June 2017 considered a report “Review of the Capital Programme Governance” which highlighted a number of changes and actions required to enhance governance which requires suitable resources to be in place including a requirement for specific project management expertise and similar resources to supplement internal resources. Therefore, it is recommended that NHCP No. 999, Construction Inflation Allowance be re-allocated to provide a budget for the procurement of such resources with delegated authority provided 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 Committee to allocate funds as appropriate in line with the actions from the the afore-mentioned report.

The capital programme is funded through a number of project specific grants and contributions, general government grant, capital receipts and borrowing.

This includes Developer Contributions (Section 75 Agreements) for which an overall total of £11.7m was held at 30 June 2017. It must be noted however, that these funds have conditions including the purpose for which they can be used. A detailed report on this will be considered by the Finance, Policy & Resources Committee in November 2017 and further information will be incorporated into this report in due course.

- **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 February 2017.

- **Common Good**

Appendix 2 provides the budget and current forecast outturn. A number of funding requests have come forward as follows:

- Denis Law Freedom of the City – at its meeting in March 2017 the Council agreed the Dennis Law Freedom of the City. It is now requested that funding of £56,000 for this event be met from Common Good;
- Celebrate Aberdeen – a contribution of £20,000 is requested towards the costs of the annual parade; and
- Aberdeen History Society – a contribution of £2,000 is requested from the International Twinning budget towards the costs of travelling to Regensburg, 19-24 October 2017.

The costs of these items can be met through the use of the forecast surplus balance as shown in appendix 2.

In addition, funding is requested for a capital project which can be met from the receipts from the sale of Pinewood/Hazledene:

- Aberdeen Science Centre – a request has come forward for funding of up to £1m towards the proposed redevelopment of the existing venue. It is anticipated that this will be phased over two financial years, 2018/19 and 2019/20.

This is an important venue in the City providing both a visitor attraction and educational facilities with the vision of this redevelopment being by 2020 to deliver a welcoming and accessible STEM (science, technology, engineering and mathematics) learning and engagement hub for North Scotland - a place where people of all ages, backgrounds and abilities can feel welcome and unthreatened, and have access to an inspiration platform for learning, creativity and discovery. Most importantly, the redeveloped centre will be a place visitors will associate with positive emotive experiences and will want to come back to. The project already has confirmed funding from the 'Inspiring Science' Fund offered in partnership by the Wellcome Trust and the UK Govt. Department for Business, Energy and Industry (BEIS) and conditional commitments from other parties such that the contribution from the Council makes up the balance.

It is recommended that funding of up to £1m be agreed subject to work continuing to identify other sources of funding thereby reducing the ask from the Council, with delegated authority to the Head of Legal & Democratic Service, in conjunction with the Head of Finance to agree suitable terms for the funding.

Conclusion

In a change from prior years, this is the first quarterly financial performance report being presented to Elected Members for consideration of the financial year 2017/18. With the change being made in the context of the Council obtaining a credit rating and issuing bonds during 2016/17, this report aims to meet the new reporting requirements from this as well as enhancing financial transparency by providing more information and by providing it in a manner consistent with the Council's Annual Accounts. As the financial year progresses, further developments will be made and reflected in future quarterly reports.

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
Balance at 31 March 2017 brought forward	(50,476)	(11,308)	(29,419)	(91,203)	(1,410,796)	(1,501,999)
Movement in Reserves during 2017/18						
Total Comprehensive Income & Expenditure	(52,610)	(15,933)	0	(68,543)	(4,735)	(73,278)
Adjustments between accounting basis & funding basis under regulations	1,370	5,463	0	6,832	(6,832)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(51,240)	(10,471)	0	(61,711)	(11,568)	(73,278)
Transfers to/from Earmarked Reserves	31,326	10,471	(1,449)	40,348	(40,348)	0
(Increase)/Decrease in Year	(19,914)	0	(1,449)	(21,362)	(51,916)	(73,278)
Balance at 30 June 2017	(70,390)	(11,308)	(30,868)	(112,565)	(1,462,712)	(1,575,277)

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	Quarter 1, 2017/18			Notes
	Net Expenditure chargeable to General Fund & Housing Revenue Account	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000	
	£'000	£'000	£'000	
Education & Childrens Services	52,371	(9,563)	42,808	1
Communities, Housing & Infrastructure	20,245	0	20,245	2
Integrated Joint Board/Adult Social Care	21,502	0	21,502	3
Corporate Governance	6,718	0	6,718	4
Housing Benefits	328	0	328	4
Office of the Chief Executive	1,008	0	1,008	5
Corporate & Miscellaneous	3,012	(1,633)	1,379	6
Net Cost of General Fund Services	105,184	(11,196)	93,988	
Housing Revenue Account	(10,095)	(5,811)	(15,906)	7
Net Cost of Services	95,088	(17,007)	78,082	
Other Income and Expenditure	(145,543)	(1,082)	(146,625)	8
(Surplus) or Deficit on Provision of Services	(50,455)	(18,088)	(68,543)	
Opening General Fund and HRA Balance at 31 March 2017	(61,785)			
(Surplus)/deficit on General Fund and HRA Balance in Year	(50,455)			
To/From Other Statutory Reserves	30,542			
Closing General Fund and HRA Balance at 30 June 2017	(81,698)			

Notes

- See page 3 for information relating to Net Expenditure chargeable to the General Fund. The £9.6m accounting adjustment is 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.
- 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.
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- 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 £1.6m 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.

7. See page 3 for information relating to Net Expenditure chargeable to the Housing Revenue Account. The £5.8m 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.

8. See page 4 for information relating to Net Expenditure chargeable to the General Fund. The £1.1m adjustment comprises two elements:
 - £6.9m 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; and
 - £8m 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 1, 2017/18			Notes
	Gross Expenditure	Gross Income	Net Expenditure	
	£'000	£'000	£'000	
Education & Childrens Services	46,451	(3,642)	42,809	
Communities, Housing & Infrastructure	31,468	(11,223)	20,245	
Integrated Joint Board/Social Work	33,662	(12,160)	21,502	
Corporate Governance	9,829	(3,111)	6,718	
Housing Benefits	14,334	(14,007)	327	
Corporate & Miscellaneous	1,476	(97)	1,379	
Office of the Chief Executive	1,562	(554)	1,008	
Cost of General Fund Services	138,782	(44,794)	93,988	
Housing Revenue Account	8,043	(23,949)	(15,906)	
Cost of Services	146,825	(68,743)	78,082	
Other Operating Expenditure			0	1
Financing and Investment Income and Expenditure	19,521	(10,285)	9,236	2
Taxation and Non Specific Grant Income	0	(155,861)	(155,861)	
(Surplus) or Deficit on Provision of Services	166,346	(234,889)	(68,543)	
(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			0	3
Impairment losses on non current assets charged to the Revaluation Reserve			0	3
(Surplus)/deficit on revaluation of available for sale financial assets			0	3
Actuarial (gains)/losses on pension losses/liabilities			0	3
Other (gains)/losses			(4,735)	3
Other Comprehensive Income and Expenditure			(4,735)	
Total Comprehensive Income and Expenditure			(73,278)	

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 interest payable and receivable.
3. These lines are predominantly used for statutory 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 2017 £'000		30 June 2017 £'000	Note
2,238,305	Property, Plant & Equipment	2,287,610	1
172,756	Heritage Assets	172,756	1
85,335	Investment Property	85,335	1
23,865	Long Term Investments	23,865	2
16,225	Long Term Debtors	16,199	3
2,536,486	Long Term Assets	2,585,765	
181,145	Cash and Cash Equivalents	158,483	4
141,227	Short Term Investments	129,196	5
69,242	Short Term Debtors	62,833	6
1,645	Inventories	7,859	7
5,382	Assets Held for Sale	5,382	8
398,641	Current Assets	363,753	
(81,351)	Short Term Borrowing	(32,354)	9
(90,396)	Short Term Creditors	(78,685)	10
(4,233)	Short Term Provisions	(4,875)	11
(2,611)	PPP Short Term Liabilities	(3,222)	12
(5,515)	Accumulated Absences Account	(5,515)	13
(473)	Grants Receipts in Advance - Revenue	(169)	14
(518)	Grants Receipts in Advance - Capital	(4,545)	14
(185,097)	Current Liabilities	(129,365)	
(896,504)	Long Term Borrowing	(897,251)	15
(108)	Long Term Creditors	(108)	16
(679)	Long Term Provisions	0	11
(100,973)	PPP Long Term Liabilities	(97,751)	12
(249,767)	Pension Liabilities	(249,767)	17
(1,248,031)	Long Term Liabilities	(1,244,877)	
1,501,999	Net Assets	1,575,276	
	Usable Reserves:		
(50,476)	General Fund Balance	(70,390)	18
(11,308)	Housing Revenue Account	(11,308)	18
(29,419)	Statutory and Other Reserves	(30,868)	18
(1,410,796)	Unusable Reserves	(1,462,710)	19
(1,501,999)	Total Reserves	(1,575,276)	

Balance Sheet Notes

1. Depreciation is calculated annually and therefore no depreciation has been applied in Quarter 1. Capital expenditure to the end of Quarter 1 totaling £49.304m has been applied to Property, Plant & Equipment (this includes £39.783m of general fund expenditure and £9.521m 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 Villiage and the Integration Joint Board. 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 £149.754m (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 £18.393m. 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. This adjustment has not been made in Quarter 1 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 no adjustment to split this total into long and short term provisions. This split will be reflected in future quarters.
12. PPP short term liabilities has been adjusted to reflect the outstanding position at March 2018.
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 1.
15. Long term borrowing reflects the current position based on transactions for the period.
16. Long term creditors reflects the current position based on transactions for the period.
17. Pension liabilities are reviewed annually and will therefore be updated in Quarter 4.
18. Usable reserves reflects the current position based on the transactions for the period.
19. Unusable reserves have been 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 2017 and formally recognised within the 2016/17 Annual Accounts:

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

The Council has agreed to provide a guarantee to the Bank of Scotland for the sum of £128,923 in support of an overdraft facility and card transactions until 31 March 2018.

○ **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of a loan of £37,139 and a maximum overdraft facility of £250,000 as well as a guarantee of £237,215 to Social Investment Scotland in respect of an 11 year loan which is due to be repaid by June 2025.

○ **Landfill Sites**

The Council is responsible under environmental legislation for the ongoing monitoring, maintenance and ultimately capping and re-instatement of 3 closed landfill sites. The costs associated with two of these sites, Ness and Hill of Tramaud, have been accounted for through a mix of revenue and capital funding.

The third site at Mill of Dyce was previously operated by the Council under a lease. The Council purchased the site in 2012/13, and following an assessment of the environmental monitoring and reinstatement requirements works were carried out in 2014. The works are now complete with no further activity planned for the site.

○ **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.

○ **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 penalties have never been imposed and it is expected that the regulations will be repealed in due course. 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 Enquiry**

The Scottish Child Abuse Enquiry is a national enquiry which was set up on 1 October 2015. The Council recognises a potential liability in respect of claims from this enquiry, but is not aware of any specific claims at this time.

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 1 2017/18
	£'000
Net Surplus or (Deficit) on the provision of services	68,543
Adjust net surplus or deficit on the provision of services for non cash movements	(28,005)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(8,033)
Net cash flows from Operating Activities	32,505
Net cash flows from Investing Activities	(53,303)
Net cash flows from Financing Activities	(1,864)
Net increase or decrease in cash and cash equivalents	(22,662)
Cash and cash equivalents at the beginning of the reporting period	181,145
Cash and cash equivalents at the end of the reporting period	158,483
Cash held by the Authority	47
Bank current accounts	158,436
	158,483