



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

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GENERAL FUND AND HRA REVENUE

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

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

Split -

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

Notes

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

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

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

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

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

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

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

1. The main areas of pressure within Operations are:

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

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

2. The main areas of pressure within Customer are:

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

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

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

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

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

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

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

- Income from cultural facilities.

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

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

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

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

8. The main area of pressure within Governance is:

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

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

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

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

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

GENERAL FUND CAPITAL PROGRAMME

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes on projects with Red indicators:

Projects where officers are responding to delivery challenges:

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

Projects under officer assessment for potential contractual dispute:

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

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

Projects to be re-scoped:

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

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

HOUSING CAPITAL PROGRAMME

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

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

COMMON GOOD

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

Notes

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