

ABERDEEN CITY COUNCIL

COMMITTEE	City Growth and Resources
DATE	25 April 2019
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Council Financial Performance – Quarter 4, 2018/19
REPORT NUMBER	RES/19/014
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Lesley Fullerton
TERMS OF REFERENCE	1.2

1. PURPOSE OF REPORT

- 1.1 To provide the full year actual financial position of the Council against budget for the financial year 2018/19, including:
- General Fund and Housing Revenue Account (HRA) revenue and capital accounts; and
 - Common Good Revenue Account and Balance Sheet.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee: -
- a) Note the unaudited final outturn position for financial year 2018/19 as detailed in Appendix 1;
 - b) Note that the General Fund deficit for the year will be funded by the uncommitted working balance;
 - c) Note that the Housing Revenue Account and Common Good surpluses for the year increase their working balances;
 - d) Note that the Housing Revenue Account has acquired sites from the General Fund as approved by Council;
 - e) Approve the various transfers for 2018/19, between Council Reserves and Earmarked sums for the General Fund, Housing Revenue Account, Common Good and Statutory Funds as at 31 March 2019, as detailed in Appendix 1;
 - f) Approve the updated Loans Fund Repayment Policy as described as 'Proposed Policy 2018/19' in Appendix 2;
 - g) Approve the reprofiling of the 2019/20 – 2023/24 capital programmes to take account of the year end position and that the outcome of this is incorporated into the 2019/20 Quarter 1 reporting;

- h) Note that the unaudited Annual Accounts for 2018/19 will be presented to the Audit, Risk & Scrutiny Committee, along with the Annual Governance Statement and Remuneration Report, at its meeting on 30 April 2019;
- i) Approve cost control measures continue to be in place to support the delivery of the 2019/20 budget given the continued uncertainty around reaching agreement on the teachers' pay award, with effect from 1 April 2018.

3. BACKGROUND

- 3.1 This report focuses on the final financial position for the year to 31 March 2019 for the Council's General Fund, Housing Revenue Account and Common Good.
- 3.2 The actual position for the year is presented in Appendix 1.
- 3.3 As indicated in previous monitoring reports, legislative changes meant that the Council was able to undertake work to review the loans fund repayment policy that it has, and which has always properly followed statutory requirements. The trigger for the review was legislative changes that provided the opportunity for the Council to consider alternatives in relation to the was a level of debt that it repays each year. The basis for this being prudence and taking a prudent approach on how long assets might be used for. A factor in this is that assets are having to be used over a potentially extended period, as they will not be replaced in line with previous forecasts.
- 3.4 The conclusion of the work has been included in the actual financial position for 2018/19 and the policy applied is described in Appendix 2. The adoption of this approach enables the Council to introduce a prudent approach to the repayment of debt.
- 3.5 The inclusion of this approach was identified in both the financial reporting for quarters 2 and 3 and in the Treasury and Investment Strategy. It is recommended that the Proposed Policy for 2018/19 is approved by the Committee.

4. FINANCIAL IMPLICATIONS

- 4.1 The full year financial position is provided in Appendix 1 to this report and the revenue positions are summarised below:

Revenue	2018/19 Budget £'000	2018/19 Actual Surplus / (Deficit) ex. Group £'000	Variance Under / (Over) Budget £'000
General Fund	0	2,737	2,737
HRA	(500)	(7,775)	(7,275)
Common Good	(25)	(294)	(269)

4.2 Appendix 1 also includes a Management Commentary providing information on the 2018/19 financial position, including details of the movement between Reserves for which there is a specific recommendation.

4.3 The capital position can be summarised as follows:

Capital	2018/19 Budget £'000	2018/19 Actual Expenditure £'000	Variance Under / (Over) Budget £'000
General Fund	303,008	182,874	(120,134)
HRA	47,248	39,112	(8,136)

4.4 The underspending on Capital is in relation to a wide range of projects and following the audit of the Annual Accounts the 2019/20 capital budgets, as appropriate, will be updated to take account of the continuing nature of capital investment projects, with funding reprofiled to enable projects to be completed.

4.5 The usable reserves have moved as follows:

Usable Reserves	Balance at 31 March 2018 £'000	Balance at 31 March 2019 £'000	Movement £'000
General Fund	(40,697)	(34,830)	5,867
HRA	(11,808)	(12,308)	(500)
Statutory & Other	(13,460)	(10,825)	2,635
Total	(65,965)	(57,963)	8,002

4.6 The reduction in the General Fund is due to the actual outturn for the year and using some of the earmarked sums set aside for specific projects, such as for schools devolved education management and transformation. The increase in the HRA is as a result of the operational surplus achieved after the transfer of funds for housing sites to the General Fund. The Statutory and Other Usable Reserves, include the Capital Fund and Insurance Funds and transfers have included capital receipts and contributions from revenue as well as the use of monies to fund the capital financing principal repayments and Voluntary Severance/Early Retirement costs during the year.

4.7 At the year end the Council retains a significant value in usable reserves to use and provide the financial resilience required into 2019/20.

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, for example the requirement to notify them ahead of publication of the report.

6. MANAGEMENT OF RISK

	Risk.	Low (L), Medium (M), High (H)	Mitigation
Financial	<p>The risk following the year end are audit adjustments that arise through the process.</p> <p>Due to the uncertainty of the teachers' pay award and when agreements will be reached there remains a risk that there is additional cost to be met, in relation to a negotiation that has an effective date of 1 April 2018.</p>	<p>M</p> <p>M</p>	<p>The year end and Annual Accounts have been prepared in the line with accounting practice and standards and year end reviews have been carried out to ensure that the final position presented is comprehensive.</p> <p>Provision has been made for the 2018/19 pay settlement for teachers that is expected to be paid and for funding that has been committed by the Scottish Government.</p> <p>The report recommends continuing cost control arrangements following the Q2 2018/19 financial monitoring report (CGR 31 October 2018)</p>
Legal	There is a risk that the year end and Annual Accounts don't comply with statutory guidance and legislation.	L	The year end and Annual Accounts have been prepared in the line legislation and statutory guidance.
Employee	None identified		
Customer	None identified		
Environment	None identified		
Technology	None identified		
putational	There is a risk that through the reduction of expenditure the Council may be criticised that spending isn't in line with public expectation of service delivery.	M	The Council has continued to address priority spending areas, and to protect people. It is equally accountable for the use of public funds and to ensure that they

		are managed robustly. There are a wide range of unknown external factors that require to be balanced to deal with the current operating environment. Regular reporting during the year has provided an ongoing description of the position the Council is in and the situations it faces.
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7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	The Council continues to invest in front-line services across its statutory responsibilities as well as capital infrastructure. Investment in the city will have a positive impact on the economy.
Prosperous People	Robust and effective management of the Council's finances will ensure that services can continue to be provided.
Prosperous Place	Investment will enhance the place by creating a better and more vibrant city in which to live.

This report does not impact on the design principles of the Target Operating Model.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

None.

10. APPENDICES

Appendix 1 – Financial Position for the Year 2018/19
Appendix 2 – Loans Fund Repayment Policy

11. REPORT AUTHOR CONTACT DETAILS

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