



**FINANCIAL POSITION
FOR THE YEAR 2021/22**

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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 year to 31 March 2022.

It also provides an insight into the challenges we face and how we will address these challenges to provide assurance in relation to our financial stability, thus allowing our citizens to have confidence that we can continue to provide the diverse portfolio of services on which they rely.

Background

The Council maintains a General Fund, for day to day Council operations, and also a Housing Revenue Account, for administering the Council housing stock. These statutory funds both feature revenue and capital expenditure and income, and accounting practice, statutory guidance and the legislation all play a part in determining the financial performance reporting.

The Council is also responsible for the Common Good.

In March 2021 the Council set balanced budgets for financial year 2021/22. This took account of obligations and duties placed upon it by legislation and national priorities alongside local political priorities, and was the fourth budget designed around our commissioning approach and the Target Operating Model (TOM). The financial conditions in which the budget was set remained challenging as continued resource constraint, settlement conditions and funding targeted on specific projects / priorities meant that less money was available to fund the core Council operations that it had in place. Savings and efficiencies were a familiar and ever-present requirement in setting the budget and pressures did not reduce during the year requiring the strong financial management the Council has demonstrated.

After the budget was approved there continued to be changes to the financial environment. Namely, the ongoing impact of Covid-19 restrictions continued to significantly impact the finances of the Council and the United Kingdom as a whole. While in the latter part of the year the war in Ukraine exacerbated capital cost and supply issues in particular.

A multi-billion pound Balance Sheet supported continued capital investment in the city and the strength of the balance sheet remains a key feature of the Council's financial resilience framework to support its sustainability, and also to support its regulatory requirements of maintaining its credit rating, following the issue of bonds on the London Stock Exchange (LSE) in 2016.

The Housing Revenue Account budgets were set based on a rent freeze for 2021/22 and ongoing pressure from housing waiting lists, which underpinned a commitment to build 2,000 new council homes.

The Common Good budget was set using the investment returns from the land, property and cash held. Additional income was forecast from a new investment of Common Good cash balances with an external fund manager, which was approved by the Council in March 2021. A distribution of approximately £3.1m for the year covered a range of Council run and externally organised projects and activities.

Financial Performance Reporting and Annual Accounts

This is the final quarterly financial performance report for 2021/22 which meets the requirements of the Council and of the LSE, and provides financial transparency for citizens of the City and beyond.

Having reached the end of the financial year the Council has delivered on its early reporting commitment for each quarter and has again worked to a faster closedown, and early production of the Council's unaudited Annual Accounts, enabling the external audit to start earlier than would ordinarily be the case. These deadlines, however, have been impacted by the committee structures around the local government elections, and for 2022 they will be considered by the Audit Risk and Scrutiny Committee on 30 June 2022. This has continued to be a challenging task, especially given the impact of working arrangements, the scarcity of resources in key areas and the substantial and complex web of pandemic funding streams that continued to be distributed until the year end. To achieve this there has been a focus on ensuring that robust procedures and deadlines were in place and communicated early to staff. The process commenced with the issue of year end instructions in mid November 2021 and officers are working with the auditors to present reports and audited Annual Accounts by the end of September 2022.

Covid-19

The pandemic has continued to have a material impact on the financial performance of the Council in 2021/22.

During 2021/22 the Scottish Government have provided a range of grants that have provided specific or general financial support to the Council. Areas of specific focus have included additional teaching staff and community support through hardship funding and free school meals support during holiday periods. In total over £18m of Covid-19 related funding has been distributed to the Council during 2021/22.

In addition, schemes to support businesses and individuals were implemented under Scottish Government guidance and instruction. These are not reflected in the income and expenditure of the Council as they are of an agency nature. Council resources have been directed to enable the accurate and diligent administration of these support funds, including taking account of eligibility and putting in place appeals processes and counter fraud measures. Funding was received to support the administration of some of the schemes. The value of funding administered on behalf of the Scottish Government in 2021/22 totalled £30m.

2021/22 Financial Position

• General Fund Revenue

The Council has achieved a surplus for 2021/22 of £1.310 m against budget, this is shown in the table presented on page 7. This in line with the expectation I had when I presented the 2021/22 budget to Council on 7 March 2022, where I was confident that the overall budget would be balanced by the year end, taking into account all of the data that was, by then, available. Approvals given to use fiscal flexibilities have not been used and I continue to keep up to date with the statutory guidance that is available to consider the options at a later date.

Explanations are provided below for the key variances from budget.

The financial position takes into account the need for the Council to earmark certain sums that are recommended to be earmarked for use in future years, as required by statute or having arisen from unspent/received in advance grant funding. Further information on reserves and earmarked sums is included in pages 19-20.

• **Housing Revenue Account**

The HRA delivered the budgeted surplus for the year. This was possible due to the impact of reduced capital financing costs along with a one-off benefit that has arisen from the accounting for historic debt, and lower than planned management and administration costs; offset in part by increased voids within the HRA resulted in a significant saving in 2021/22, and has facilitated a reduction in the value of borrowing that was required on the HRA through contributions to capital from revenue. Following that transaction, a surplus of £0.5m remains, after earmarking a proportion to support repair and maintenance costs that are yet to be completed and an internal land transfer for the New Build Programme, the surplus is added to the Housing Revenue Account working balances. A summary of the HRA is shown on page 12.

• **General Fund Capital**

The final position on the General Fund capital programme is provided on page 14, with the final spend for 2021/22 reflecting interim valuations for projects that were on site at 31 March 2022. An underspend has been forecast throughout the year due mainly to the continued restrictions placed on construction as a result of the Covid-19 pandemic and supply chain issues. Differences between actual spend and forecast outturn will result in a realignment of budgets in Quarter 1, 2022/23.

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

• **Housing Capital**

The final position on the Housing capital programme is provided on page 15, including key project indicators and financial details. The capital programme is funded predominantly through contributions from the Housing Revenue Account and borrowing and, for third year in a row, grant funding to support the new homes programme.

• **Reserves**

Having reached the end of the financial year and as in previous years, a review of the overall position for both revenue and capital, in the context of the Council's Balance Sheet and Reserves Policy has been undertaken and action taken to ensure the Council is suitably prepared for future revenue and capital investment purposes. This has included taking account of the decisions that were made by the Council at the budget setting meeting for financial year 2022/23.

This review has taken cognisance of the impact of adjustments required to ensure compliance with accounting standards, applying new standards and including making judgements and estimates to ensure that the Annual Accounts represent a true and fair view of the Council finances.

Year end adjustments consider the implications of certain conditions such as the statutory provisions of the Capital Fund, HRA, statutory guidance in relation to the Loans Fund, Voluntary Severance / Early Retirement costs and transactions required across the Group.

In certain circumstances, funds are required to be earmarked for use in future years. This can be to fulfil statutory obligations or where funding has been received but not yet been spent. The most significant of these at the end of 2021/22 are Covid-19 grant income, for 22/23 budget, second/long term empty homes and de-risk the Council. The Council is free to earmark General Fund reserves for purposes that it determines, a significant example is the commitment to the Transformation Fund. The continued earmarking of Covid-19 grant funding that was unspent has been reflected in the General Fund Reserve. Grant funding for Covid-19 included areas as Education recovery, Financial Insecurity and flexible funding to support the Council generally. A sum of £6.790m was approved as part of the 2022/23 General Fund budget setting, and this is included within this earmarked sums as at 31 March 2022

The review of reserves is reflected in the table below that summarise the Council's Usable Reserves at the start and end of 2021/22, and is also shown in more detail in the Reserves section on page 11.

The General Fund Budget for 2021/22 made a commitment to contribute £6.500m to the budget and this has been incorporated into the movement in reserves. The recommended level of uncommitted reserves has also been decreased by a transfer of £0.519m to earmarked reserves to set aside towards 2022/23 budget. The uncommitted reserves are at the recommended minimum of £12m in the Council approved Reserves Policy 2022.

Subject to any findings and/or adjustments arising from the audit of the Annual Accounts it is requested that committee approve the sums shown on pages 19 and 20 as transfers to and from earmarked reserves.

31 March 2021 £'000	Usable Reserves	31 March 2022 £'000
(71,603)	General Fund	(72,152)
(14,715)	Housing Revenue Account	(15,215)
(13,082)	Statutory and Other Reserves	(20,860)
(99,400)	Total Usable Reserves	(108,227)

• Common Good

The year end position shows an operational underspend of £1,620k, and details are provided on page 17. This underspend was achieved through increased income from the Common Good investment in the multi-asset income fund with Fidelity and lower spending due to Covid-19 pandemic restrictions cancelling or delaying events. The value of the underlying investment with Fidelity fell by £2.2m during the year resulting in an additional charge to the Common Good, however a net capital receipt of almost £6m means that overall, the Common Good has increased cash balances at 31 March 2022. Taking account of the 2022/23 budget decisions the resulting position shows that the cash balances of the Common Good remain ahead of the previously agreed minimum requirement.

Conclusion

This has been a financially challenging year with cost pressures and loss of income arising from the Covid-19 pandemic throughout the services of the Council. The Council has responded to the challenges by keeping spending to a minimum and with additional financial support being provided by the Scottish Government. Capital investment expenditure was substantially lower than anticipated in both the General Fund and Housing Programmes due to the ongoing restrictions on construction sites and supply chain delays. That said, during the year construction activity has progressed on a wide range of capital projects with a number being completed during the year, and the new build housing programme continued to progress well with further handovers occurring at the Wellheads site.

Throughout, the overall financial performance of the Council reflects strong financial management and timely and transparent reporting of the quarterly position and full year position.

General Fund Revenue

Notes	As at 31 March 2022	Budget 2021/22	Actuals 2021/22	Variance (Actual - Budget)	For Group Entity Adjustment	To Statutory Funds	From Earmarked Reserves	To Earmarked Reserves	Q4 Variance after earmarking	Q3 Variance	Movement from Q3 Forecast
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	Operations	267,053	262,274	(4,779)				5,455	676	4,811	(4,135)
2	Customer	37,426	36,434	(993)				2,154	1,161	32	1,129
3	Commissioning	25,401	22,002	(3,399)				4,550	1,151	1,607	(456)
4	Resources	2,227	7,841	5,614			(786)	101	4,929	3,597	1,332
5	Integrated Joint Board	102,251	102,251	0				0	0	0	0
	Total Functions Budget	434,358	430,802	(3,556)	0	0	(786)	12,260	7,918	10,047	(2,129)
6	Joint Boards	1,845	1,729	(116)					(116)	(116)	(0)
7	Miscellaneous Services	57,177	51,906	(5,271)		7,100			1,829	1,595	234
8	Contingencies	21,790	198	(21,591)	840	350		6,588	(13,813)	(9,196)	(4,617)
9	Council Expenses	1,425	1,303	(122)					(122)	21	(143)
	Total Corporate Budgets	82,237	55,137	(27,100)	840	7,450	0	6,588	(12,222)	(7,696)	(4,526)
10	Non Domestic Rates	(202,923)	(202,529)	394	0	0	0	0	394	0	394
11	General Revenue Grant	(160,316)	(160,316)	0	0	0	0	0	0	0	0
12	General Revenue Grant - COVID	(17,957)	(17,957)	0	0	0	0	0	0	0	0
	Government Support	(381,196)	(380,802)	394	0	0	0	0	394	0	394
13	Council Tax	(128,899)	(128,401)	498	0	0	0	2,102	2,600	5,000	(2,400)
	Local Taxation	(128,899)	(128,401)	498	0	0	0	2,102	2,600	5,000	(2,400)
14	Contribution from Reserves	(6,500)	0	6,500	0	0	(6,500)	0	0	0	0
	Contribution from Reserves	(6,500)	0	6,500	0	0	(6,500)	0	0	0	0
15	Deficit/(Surplus) before adjustments	0	(23,264)	(23,264)	840	7,450	(7,286)	20,950	(1,310)	7,351	(8,661)
16	Group Entity - Accounting Standards Adjustment	0	840	840							
	Adjusted Deficit/(Surplus)	0	(22,424)	(22,424)							
18	Contribution to Statutory Funds	0	7,450	7,450							
19	Contribution from Earmarked Reserves	0	(7,286)	(7,286)							
19	Contribution to Earmarked Reserves	0	20,950	20,950							
20	Deficit/(Surplus) after movement in Earmarked Reserves & Statutory Funds	0	(1,310)	(1,310)							

Notes

It should be noted that the full year budgets reflected above differ from those set by Council in March 2021 for a number of reasons.

There was the normal practice during the year as virements are identified or additional funding is provided. The main changes in services relate to the allocation of procurement, staff vacancies and savings arising from changes to the staffing establishment as a result of voluntary severance/early retirement which were held within contingencies at the time the budget was set.

1. Operations is the largest function 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, special education and children's social work services. This function is also responsible for operational services such as waste collection, facilities management, fleet, building services, public transport unit, roads and infrastructure.

A number of areas of pressure were highlighted throughout the year which have impacted on the final position for the service as follows:

- Retention of teaching staff has continued into 2021/22. This success had the impact of reducing the anticipated savings the Council had corporately assumed and meant that increased spending overall was incurred. Under the approved Devolved School Management scheme uncommitted staff budgets can result in alternative spending on education delivery, such as technology and commissioned services. The commitments made to alternative delivery models but not received by year end have been carried forward to 2022/23. There has also been an increase in long term absences spend (£1,144k).
- Early Years grant funding was used in 2021/22 (£3,249k) this was carried forward from 2020/21 and was used to fund furniture, contribution towards capital and staffing.
- Increased spend on Out of Authority Placements partly due to the impact of Covid-19 restrictions on children (£2.5m), however this is lower than last years spend and has in part been offset by under spends in Fostering (£500k), Admin (£156k) and Transport (£141k).
- Reduction in income from fees and charges has continued in 2021/22 for example, Car Parking has not returned to pre pandemic levels (£1,400k), lower crematorium income (£293k), school lets (£271k) and a lower level of music services income (£119k) due the reduction in the first quarter when charges could be made.
- Building Services did not achieve the budgeted surplus with an under recovery (£2,823k) due to the continued social distancing while working within the properties and delays in the supply chain for materials which is a Scotland wide issue.
- There were a number of under spends within the service such as Waste Services (£1,508k) which achieved increased income from recylates, additional recovery of income from third party waste and under spend on the waste contract. Roads (£800k) benefited from overtime not required for winter maintenance, and increased capital income. Facilities Management (£1,702k) from School Catering due to reduced spend on catering provisions and Buildings due to reduced premises costs including rates and utility costs as a result of closures due to Covid-19.

- Within earmarked reserves Education has carried forward a number of grants, these are both Covid recovery and general from the Scottish Government as these have been committed as part of the 2022/23 budget savings.

Cost pressures were mitigated as far as possible by underspends and cost reductions in other areas of the service.

2. Customer is responsible for managing all internal and external customer contact. It brings together housing, libraries, community learning and community safety to support the development of sustainable communities and enable individuals to manage their own lives. Data and Insight also sits within Commissioning. They are responsible for identifying social, economic and digital trends of the city in the future and how the Council meets these needs. The revenues and benefits teams handling key income streams for the Council, such as Council Tax and Non-Domestic Rates and process almost £50m of housing benefit payments. There is a focus on creating digital services for customers that are easy to use and improving access to services. It is responsible for providing external communications, advice and support to ensure effective communications with external audiences, and to promote the reputation of the Council.

- As referenced in previous reports, there was an under recovery of rental income from Homeless Flats (£2.2m) due to a reduction of homeless people in the system and bad debt of £588k.
- Lower than expected spend on contracts for IT Systems and Technology benefited the function to the value of £440k.
- Other savings achieved included staffing within community wardens £388k, Libraries £279k, Community Safety £271k and Localities £156k.
- Within earmarked reserves Customer has carried forward a number of Covid-19 grants £304k for Financial security and flexible funding, Tenant grant fund £380k and £1.4m for Refugees to support staffing in 2022/23.

3. Commissioning is responsible for both commissioning and procuring the best service/partner to deliver the agreed outcomes. City Growth represents the Council and the City of Aberdeen on local, regional, national and international stages with key responsibilities for outward trade, a diverse employability and skills base, and a focus on tourism, culture and the development of a city events programme. Strategic Place Planning focus is to enable, facilitate and deliver place planning for the City which includes all of the transport, environment, housing, building, planning (which includes community planning) and digital initiatives that will help to deliver major infrastructure projects. Governance includes Legal Services, Democratic Services, Audit, Policy, Emergency Planning and Corporate Health & Safety. Commercial and Procurement drives the shared service with Aberdeenshire and the Highland Councils, and this function is also responsible for managing and monitoring the service-level agreements with the Council's Arm's Length External Organisations (ALEOs).

- Challenges in 2021/22 included being unable to allocate out to the services the procurement budget savings as the savings were not been fully achieved (£859k) due to the market position for the majority of goods and services.
- There was reduced Income from catering services (£571k) provided by museums and galleries and the beach ballroom, which reflected reduced trading resulting from the Covid-19 restrictions.
- Within earmarked reserves Commissioning have carried forward Covid-19 grants for the Economic Recovery Fund (£2.86m) and FWES Employability Fund (£1.994m).

4. Resources is responsible for the selection, retention and development of the Council's staff and the financial planning, monitoring and reporting of the Council. They manage the development of design and delivery of all strands of capital including the city centre masterplan, the schools estates strategy, roads infrastructure and housing. The Corporate Landlord cluster is responsible for the commercial and non-commercial land and property assets, facilities management and council housing stock management.

- Primarily the outturn for 2021/22 was affected by an under recovery of income within Commercial Property Trading Account (£6.182m). There were challenging market conditions for the leasing of property in the City and with facilities, including P&J Live, being closed for a proportion of the year, and hotels operating at well below expected levels, the budget values during the year have not been met.
- Spending of £789k for hard facilities management (property repairs) was incurred by the service, using funding that had been earmarked for repairs and maintenance. The income is included in table above as part of the the corporate use of earmarked reserves.

5. 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, support to adults with support needs and criminal justice services.

The Integrated Joint Board is funded by the Council and the NHS and the cost of services delivered by the Council is significantly more than the Council contributes, resulting from the funding being allocated through the NHS financial settlement in prior years for Social Care services and demands. This means that there is funding allocated by the IJB to the Council that has come from the NHS contribution to the IJB.

The cost pressures around demand and need, particularly in relation to supporting complex needs and accommodation for those with learning disabilities and needs led home care and accommodation for mental health and also substance misuse client, were managed by the IJB during the year and are met by IJB funds.

In 2021/22 there was an underspend of £7.225m on the Council's IJB budget this is being used to increase the transformation fund within the IJB.

6. Joint Boards represents the amount requisitioned by Grampian Valuation Joint Board which is known during the year, the underspend was created because the Board agreed to refund the 2020/21 surplus to the three Councils.

7. Miscellaneous Services includes capital financing costs, the cost of repaying the borrowing required in the past for General Fund Capital Programme investment, audit costs and the provision for doubtful debts.

Capital Financing Costs is the most significant budget within Miscellaneous Services, and includes the impact of accounting requirements in relation to the Council's Bond Issue, and the annual changes in the level of external borrowing. The actual charges for 2021/22 take account of the approved treasury and investment policy that delivers a prudent approach to capital financing, and the interest rate applicable to the debt. The significantly reduced capital expenditure in 2021/22 assisted to reduce costs in 2021/22, with a transfer of money being made to the Capital Fund to fund capital expenditure that has been delayed.

The provision for doubtful debt has produced an overspend at year end, and a detailed analysis has been undertaken including consideration of the impact of Covid-19 pandemic on debt recovery.

The Council utilised the Scottish government statutory guidance that allows use of capital receipts to fund qualifying expenditure on a transformation project. Capital receipts to the value of £1.044 m were set aside towards severance and transformation costs which includes our digital transformation programme.

8. Contingencies hold budgets that enable the Council to plan and address known/expected costs in-year without relying on the Usable Reserves held by the Council.

The value of contingencies not needed in the year – after covering costs such as additional winter maintenance costs, provided a positive variance for the overall Council position.

9. Council Expenses this represents the cost of councillors. While it is not showing a significant variance, there has been less expenditure on travel during the year.

10. Non-Domestic Rates this is the value guaranteed by the Scottish Government rather than the value collected by the Council, as this in line with the accounting practice. The cost to the council being the value of discretionary relief that is shared between the Scottish Government and the Council.

11. General Revenue Grant in line with the Scottish Government Finance Circular which has been redetermined at the year end and funding paid in relation to announcements during the year. This is slightly lower than budget due to actual distribution of the Teachers Induction funding being different from the estimated value in the budget.

12. General Revenue Grant – Covid this reflects and is in line with the Scottish Government Finance Circular which has been redetermined at the year end and funding paid in relation to announcements during the year specifically for Covid response and impact on the Council.

13. Council Tax this takes account of the total value of council tax for the year, along with any adjustments for prior years that have to be accounted for. The total value is lower than had been budgeted, with the number of new properties not being added to the valuation roll as had been expected and collection rates have been lower (although improved from 2020/21). The changing circumstances of the citizens of Aberdeen is clear from this and higher outstanding debt at year end and increased value of claims for Council Tax Reduction Scheme funding have all been factors. Levels of collection and doubtful debt are reviewed on a regular basis

From the value of Council Tax collected a sum (£2.1m) must be set aside for the purpose of funding affordable housing projects. This is then added to the earmarked sum in the General Fund Reserve.

The overall value attributable to the General Fund budget for 2021/22 ended the year more positively than had been forecast at Quarter 3. This was due to high levels of changes being notified that did not have an adverse impact on the Council Tax collection value, which had been included in the Quarter 3 forecast.

14. Contribution from reserves this represents the sum of funding to be received from reserves to reflect a balanced budget approved at Council on 7 March 2021. The actual is included along with row 19, the contribution from earmarked sums.
15. General Fund Deficit/(Surplus) before adjustments is the value of all expenditure and income incurred during the year that compares to budget. This is before the group entity adjustment required per accounting standards, and the transfer of funds to and from the General Fund Earmarked Reserves.
16. Group Entity – Accounting Standards adjustment this reflects the change in value of the group entity investment (Aberdeen Sports Village), measured annually and chargeable to the General Fund.
17. Adjusted deficit/surplus this is the general fund surplus adjusted for item 16.
18. Contributions to Statutory Funds this represents the total value of sums transferred to funds such as the Capital Fund and Insurance Fund, which are reviewed annually to ensure appropriate value is retained at year end.
19. Contributions to/from Earmarked Reserves are the values that have been used during the year, or are to be set aside for future years and are reviewed annually with reference to statutory and regulatory requirements, Council commitments and policy. Further information is included about which Earmarked Reserves are affected on page 16.
20. Deficit/(Surplus) after movement in Earmarked and Statutory Funds shows the overall position for the General Fund for the year, against a balanced budget, an underspend of £1.310m. This balance has been added to the Council's Covid-19 resilience earmarked funds at 31 March 2022

Housing Revenue Account

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 capital financing costs for debt borrowed to fund capital investment in the housing stock. This is a ring fenced account such that its costs must be met by tenants' rental income.

Housing Revenue Account as at 31 March 2022	Budget 2021/22 £'000	Actual 2021/22 £'000	Variance £'000
Net Surplus from Income & Expenditure	(500)	(940)	(440)
Internal Land Transfer		440	
Total Surplus from Income & Expenditure		(500)	

The HRA delivered a surplus of income over expenditure during the year, as budgeted. There were variances during the year that together enabled the surplus to be generated, which included the reduced cost of capital financing during the year, the result of lower capital spending and additional capital grants, and savings from management and administration costs arising from the timing of restructuring and vacancies. There was also a significant one-off benefit that arose from the accounting for historic debt. Together these under spends enabled an increased level

of contribution to be made from revenue to pay for capital (CFCR), which amounted to £6.3m and allowed a surplus to be retained for the HRA reserve. Funding the cost of capital from revenue avoids the need to borrow as much as had been planned and therefore reduces future capital financing costs.

General Fund Capital Programme

As at Period 12 2021/22	2021/22		
	Revised Budget for Year	Actual Expenditure for Year	Actual v Budget Variance
	£'000	£'000	£'000
AECC Programme Board	9,606	4,498	(5,108)
Asset Management Programme Board	66,898	37,443	(29,456)
Asset Management Programme Board Rolling Programmes	33,671	25,189	(8,482)
City Centre Programme Board	38,793	28,468	(10,325)
Energy Programme Board	62,585	16,957	(45,628)
Housing and Communities Programme Board	1,933	41	(1,892)
Housing and Communities Programme Board Rolling Programmes	913	615	(298)
Transportation Programme Board	24,121	4,379	(19,741)
Transportation Programme Board Rolling Programmes	4,622	4,043	(579)
Strategic Asset & Capital Plan Board	8,115	3,515	(4,600)
Strategic Asset & Capital Plan Board Rolling Programmes	2,456	2,959	503
Developer Obligation Projects & Asset Disposals	0	478	478
Total Expenditure	253,713	128,583	(125,129)
Capital Funding:			
Income for Specific Projects	(89,605)	(29,766)	59,838
Developer Contributions	0	(478)	(478)
Capital Grant	(19,375)	(19,375)	0
Other Income e.g. Borrowing	(144,733)	(78,964)	65,769
Total Income	(253,713)	(128,583)	125,129

The continued impact of Covid-19 Pandemic is reflected in the total £129m investment recorded for the Capital Programme for the year, much lower than originally expected. The working practice guidelines introduced in mid-2020 continued throughout 2021/22 and were further compounded by the Construction Industry experiencing shortage of products, raw materials, staffing and logistical support across the UK. The Russian invasion of Ukraine in February 2022 and resulting economic sanctions placed on Russia and Belarus further exacerbated supply chain issues for some commodities which were sourced from eastern Europe.

Despite the continued and emerging challenges faced this year, progress was made on a range of projects, including several that support the Council's Net Zero Vision:

- The Council entered a joint venture arrangement with bp International Limited in March 2022 for progression of the Hydrogen programme and to facilitate expansion of the Council's hydrogen fuelled fleet
- Construction progressed on the joint Ness Energy from Waste facility, a project being carried out in collaboration with Aberdeenshire and Moray Councils, to avoid waste being sent to landfill in future and use those resources for the production of electricity and heat in the Torry Heat Network.
- The Council's Local Transport Strategy advanced design works for the South College Street and Berryden corridors, for improved connections to the City Centre, with the South College Street works supported by a successful bid to the Bus Partnership Fund. Implementation works also commenced for the City Centre Low Emissions Zone (LEZ).

- The City Centre Masterplan continues to invest in Aberdeen; the refurbishment of Provost Skene House was completed; contractors continued the regeneration of Union Terrace Gardens; further land assembly and enabling works advanced for the redevelopment of Queen Street; and major new design principles were progressed for the redevelopment of Aberdeen Market, Union Street, and connections to the City's Beachfront.
- Digital Connectivity has also been enhanced through the City Region Deal by continued investment and expansion of the City's fibre network, alongside accelerated investment in Intelligent Street Lighting under the Town Centre Fund to compliment the investment in Street Lighting LED lanterns.
- The Council continued its commitment to its New Schools and Early Learning programmes. The programme for the expansion of Early Learning and Childcare was completed with 27 sites opened across the city. Design works progressed on the £100 million investment in 4 new educational campuses, with construction nearing completion at the Milltimber site, and contractors commencing works at Countesswells and Tillydrone.

The impact on the funding of the Capital programme is that there was a lower borrowing requirement in 2021/22 than originally expected.

Ongoing scrutiny and monitoring of the various Capital projects are in the Terms of Reference for the Capital Programme Committee with regular detailed reporting included on its agenda.

Housing Capital Programme

As at 31 March 2022	Approved Budget	Actual Expenditure	Variance
	£'000	£'000	£'000
Compliant with the tolerable standard	2,400	2,511	111
Free from Serious Disrepair	11,029	2,960	(8,069)
Energy Efficient	10,674	10,598	(76)
Modern Facilities & Services	2,339	1,688	(651)
Healthy Safe & Secure	7,866	4,831	(3,035)
<i>Non Scottish Housing Quality Standards:</i>			
Community Plan & Local Outcome Improvement Plan	5,995	2,201	(3,794)
Service Expenditure	4,011	475	(3,536)
2,000 New Homes Programme	109,215	74,736	(34,479)
	153,529	99,999	(53,530)
less 11% slippage	(5,645)	-	5,645
Net HRA Capital Programme	147,884	99,999	(47,885)
Capital Funding:			
Borrowing	(114,928)	(52,154)	62,774
Other Income – Grants, Affordable Homes etc	(7,116)	(19,191)	(12,075)
Capital Funded from Current Revenue	(25,840)	(28,654)	(2,814)
Total HRA Capital Funding	(147,884)	(99,999)	47,885

As detailed above in the General Fund Capital programme the Housing Capital programme experienced similar issues from the impact of Covid-19 pandemic with the resulting supply chain challenges including delays and price increases.

The rolling programme of modernisation again experienced significant delays due to the restrictions in place to protect tenants and workers from Covid-19. Increased prioritisation of work on voids shifted resources from capital to revenue works during the year. This all resulted in lower than budgeted spend on lift maintenance, structural repairs, kitchens and bathrooms, and the programme which wasn't delivered in 2021/22 has been rolled forward into 2022/23.

The 2,000 new homes programme is progressing well with further homes at the Wellheads site being handed over to the Council in 2021/22. The programme in 2021/22 has included developer led projects such as the Wellheads site in Dyce, Auchmill and Cloverhill, Council led projects such as Kincorth, Kaimhill, Craighill, Tillydrone and Summerhill, and buying former Council Homes.

Grant funding of £10m was received from the Scottish Government for Craighill, Tillydrone, Kincorth and Kaimhill.

Common Good

As at 31 March 2022	Full Year Budget 2021/22 £'000	Actual Expenditure £'000	Variance from Budget £'000
Recurring Expenditure	3,070	2,559	(511)
Recurring Income	(4,015)	(4,719)	(704)
Budget After Recurring Items	(945)	(2,160)	(1,215)
Non Recurring Expenditure	445	557	112
Non Recurring Income	0	(17)	(17)
Net Expenditure	(500)	(1,620)	(1,120)
Cash Balances as at 1 April 2021	(34,420)	(34,420)	0
Net Expenditure from Income & Expenditure	(500)	(1,620)	(1,120)
Investment Revaluation (Increase)/Decrease	0	2,220	2,220
Net Capital Receipt	0	(5,978)	(5,978)
Cash Balances as at 31 March 2022	(34,920)	(39,798)	(4,878)

The Common Good Fund is showing an operating surplus of £1,620k for the year to 31 March 2022.

The main variances were underspends due to the cancellation of many events across the City, such as the Highland Games, Armed Forces Day, Celebrate Aberdeen Civic Receptions and the annual Fireworks Display because of the Covid-19 pandemic.

Offset by additional costs including the expenditure approved by the City Growth and Resources on 11 May 2021 and 10 August 2021:

- a. Denis Law Statue - £15k
- b. City Centre Clean - £100k
- c. Support Denis Law walking trail £20k

Additional costs were experienced in the property portfolio held by the Common Good, including non-domestic rates.

Expenditure on a number of one-off projects and activities, where the approved expenditure has not been fully spent will be carried forward as an earmarked reserve to enable works to continue in the next year.

The investment of cash balances in a multi-asset income fund, approved by Council on 10 March 2021 was implemented in 2021/22. The fund manager, Fidelity, was selected as reported in the quarter 1 report and investment of £30m was made during Quarter 2. As an income fund it preformed well, with cash received for the period to 31 March 2022 ahead of budgeted levels, producing a positive variance for recurring income.

Seeking increased annual income comes with additional risk and therefore there is volatility in the value of the fund into which the Common Good is invested. The value of the investment may fall as well as rise and should be measured over the medium to long

term. With financial markets particularly volatile at present the value at the end of Quarter 4 of the Common Good investment fell to £27.780m. This is shown separately in the table above, where either the value of a rise or fall in value must be accounted for annually.

During the year additional capital income to the value of £5.978m was received from the ongoing Pinewood deal, where the land is to be paid for over a number of years. The profile of capital income was changed at the end of March 2020/21 to take account of the current housing market in Aberdeen and the impact of the pandemic.

Reserves

General Fund Earmarked Reserves	Balance at 31 March 2021 £'000	Transfers In 2021/22 £'000	Transfers Out 2021/22 £'000	Balance at 31 March 2022 £'000
Devolved Education M'ment (Comm Centres)	(542)			(542)
Devolved Education M'ment (School Funds)	(294)	(680)	294	(680)
Energy Efficiency Fund	(1,259)	(18)		(1,277)
Bus Lane Enforcement	(278)	(440)	215	(503)
Property Transfer	(102)			(102)
Second/Long Term Empty Homes	(14,660)	(2,102)	3,652	(13,110)
De-risk the Council	(3,614)	(2,000)		(5,614)
Transformation Fund	(2,479)	(2,500)	546	(4,433)
Contribution to Environmental Body	(43)			(43)
Repairs & Maintenance Fund	(1,185)		786	(399)
Public Analyst - James Hutton Institute	(125)			(125)
Children's Social Work - Mental Health Svs	(26)		26	0
Rapid Rehousing Transition Plan	(311)			(311)
Mental Health Day	(6)		6	(0)
Co Op Business Development Fund	(75)			(75)
Socio Economic Recovery	(67)		67	0
ADM - Education	(385)	(659)	302	(742)
Budget 22/23 Use of Reserves		(7,309)		(7,309)
Care Experienced Y.P WIFI (CSW)		(23)		(23)
Neurodevelopment Specification (CSW)		(292)		(292)
Tree Works - Storm Damage		(476)		(476)
Additional Teaching - Recovery Funding		(408)		(408)
Implem of National Trauma Training Prog		(50)		(50)
Scottish Disability Assistance		(31)		(31)
Mental Health Recovery & Renewal		(107)		(107)
Conservation funding		(2)		(2)
Targeted Learning funding		(25)		(25)
Seed Funding - Comm Bens Plan for H2 JV		(1,000)		(1,000)
Telecare Fire Safety		(38)		(38)
Whole family wellbeing		(90)		(90)
FWES Employability		(1,685)		(1,685)
Afghan - Bridging Accomodation		(681)		(681)
Syrian Refugees (UKRS Scheme)		(723)		(723)
Income from Afghan resettlement scheme		(148)		(148)
Scottish Child Payment		(31)		(31)
Covid Grants	(33,633)	(14,743)	29,360	(19,016)
Unknown General Fund Surplus	0	(60)		(60)
Total General Fund Earmarked Reserves	(59,084)	(36,321)	35,254	(60,152)
Uncommitted General Fund Balance	(12,519)	0	519	(12,000)
Total General Fund Balance	(71,603)	(36,321)	35,773	(72,152)

Housing Revenue Account Earmarked Reserves	Balance at 31 March 2021 £'000	Transfers In 2021/22 £'000	Transfers Out 2021/22 £,000	Balance at 31 March 2022 £'000
<i>Projects:</i>				
Housing Repairs	(3,125)	(2,481)	3,125	(2,481)
House Sales - Non right to buy	(308)	0	0	(308)
Total HRA Earmarked Reserves	(3,433)	(2,481)	3,125	(2,789)
Total Uncommitted Balance	(11,282)	(1,144)	0	(12,426)
Total Housing Revenue Account	(14,715)	(3,625)	3,125	(15,215)
Recommended Uncommitted Balance	(9,338)			(9,463)

Common Good Earmarked Reserves	Balance at 31 March 2021 £'000	Transfers In 2021/22 £'000	Transfers Out 2021/22 £'000	Balance at 31 March 2022 £'000
<i>Projects:</i>				
Smithfield Farm - Roof repairs	(18)			(18)
AWPR Drainage Issues for future issues	(35)			(35)
Grove Nursery	(68)		6	(62)
APA - Music Hall Cleaning	(5)			(5)
Culter Playing Fields	(8)		3	(5)
Cricket Pitch at Stewarts Park	(15)		15	0
CPR Training	(4)			(4)
Festival - AIYF final 2 quarters grants	(5)		5	0
Shakkin Bridge Project	(3)		3	0
Culter Community Council - Lovers Walk/Green Space	(11)		11	0
Mental Health	(3)			(3)
Camphill Rudolph Steiner		(10)		
Aberdeen Multicultural Centre		(15)		
City Centre Clean		(21)		
Denis Law Trail		(20)		
Lord Provost Portrait		(10)		
Total Common Good Earmarked Reserves	(174)	(76)	43	(207)
Total Uncommitted Balance	(34,246)	(7,522)	2,177	(39,591)
Total Common Good	(34,420)	(7,598)	2,220	(39,798)
Recommended Uncommitted Balance	(33,870)			(39,330)