

# Public Document Pack

## **ADDITIONAL CIRCULATION**



To: All Members of the Council

Town House,  
ABERDEEN, 3 October 2014

## **COUNCIL MEETING**

The undernoted items are circulated in connection with the meeting of the **COUNCIL** to be held here in the Town House on **WEDNESDAY, 8 OCTOBER 2014 at 10.30am.**

JANE G. MACEACHRAN  
HEAD OF LEGAL AND DEMOCRATIC SERVICES

### **B U S I N E S S**

#### **GENERAL BUSINESS**

6(i) Audited Financial Statements 2013/14 (Pages 1 - 240)

#### **BUSINESS THE COUNCIL MAY WISH TO CONSIDER IN PRIVATE**

8(a) Former Summerhill Academy Site (Pages 241 - 254)

8(c) Referral from Finance Policy and Resources Committee of 30 September 2014 - Disposal - Former Victoria Road School (Pages 255 - 276)

Website Address: [www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk)

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## ABERDEEN CITY COUNCIL

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COMMITTEE	Council
DATE	8 October 2014
ACTING DIRECTOR	Ewan Sutherland
TITLE OF REPORT	Audited Financial Statements 2013/14
REPORT NUMBER:	CG/14/128

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### 1. PURPOSE OF REPORT

The purpose of this report is to provide Elected Members with the final signed audited Financial Statements for the financial year 2013/14 for the Council and its Charitable Trusts.

### 2. RECOMMENDATION(S)

It is recommended that the Council note the report and the associated financial statements

### 3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report.

### 4. OTHER IMPLICATIONS

4.1 There are no other implications arising directly from this report.

### 5. BACKGROUND/MAIN ISSUES

5.1 The audited financial statements and associated report by the council's external auditors (Audit Scotland) were considered by the Audit & Risk Committee on 25<sup>th</sup> September 2014.

5.2 Thereafter, they were signed by the Council Leader, Chief Executive and Head of Finance and finally by Audit Scotland on 30<sup>th</sup> September 2014.

5.3 A signed copy of the financial statements is now presented for information.

6. IMPACT

- 6.1 The publication of the annual financial statements demonstrates the Council's proper stewardship and accountability of the public funds with which it is entrusted.

7. MANAGEMENT OF RISK

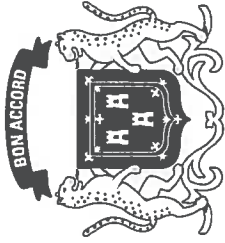
- 7.1 Failure to publicise the financial statements would have a negative impact on the image of the council.

8. BACKGROUND PAPERS

None

9. REPORT AUTHOR DETAILS

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**ABERDEEN**  
CITY COUNCIL

**STATEMENT OF ACCOUNTS**  
**FOR THE PERIOD**

**1 APRIL 2013 TO 31 MARCH 2014**

STATE OF TEXAS  
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, personally appeared \_\_\_\_\_, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Notary Public in and for the State of Texas

My Commission Expires \_\_\_\_\_



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## Explanatory Foreword

### Introduction

On an annual basis the Council, by statute, must publish a Statement of Accounts that complies with recognised accounting codes of practice. The purpose of the Statement of Accounts is to demonstrate the Council's proper stewardship and accountability of the public funds with which it is entrusted.

The Statement of Accounts has been prepared in accordance with the International Financial Reporting Standard (IFRS) based *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code)*. The Statement of Accounts is also based on the *Service Reporting Code of Practice 2013/14 (SeRCOP)*.

Following the adoption of IFRS in 2010/11 there have been no significant changes to the presentation of the financial statements for 2013/14. The Statement of Accounts therefore comprises the following financial statements and accompanying explanatory notes:

**Statement of Responsibilities:** This statement sets out the respective responsibilities of the Council and the Head of Finance for the Statement of Accounts.

**Annual Governance Statement:** This explains how the Council and group entities conduct their business, both internally and in their dealings with others. The statement details the review of effectiveness of the Local Code of Governance and outlines any actions the Council and/or group entities are taking to address significant issues.

**Remuneration Report:** This report presents detailed information on the remuneration and pension benefits of senior Councillors and senior employees of the Council and the remuneration and pension benefits of the Chief Executives of the Council's subsidiary bodies. Also disclosed is the number and cost to the Council of employee exit packages.

**Movement in Reserves Statement:** This statement shows the movement in the year on the different reserves held by the Council analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(Surplus) or Deficit on the Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax and rent setting purposes respectively. The 'Net (Increase) / Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the council. The value of Usable Reserves as at 31 March 2014 was £116.8 million.

**Comprehensive Income and Expenditure Statement:** This statement shows the accounting cost in the year of providing services in accordance with IFRS as applied to the public sector, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

**Balance Sheet:** The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Fund that may only be used to fund capital expenditure or repay debt principal). The second category of reserves are those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences, which are shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The net worth of the Council as at 31 March 2014 was £1,165 million.



**Cash Flow Statement:** This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of borrowing to the Council.

**Notes to the Core Financial Statements:** The notes provide additional information on the various financial transactions that are not separately detailed in the above statements.

**Loans Fund:** A statutory fund that acts as an internal bank, borrowing externally to provide long term loans to the Council, which it then uses to fund the expenditure on capital projects.

**Housing Revenue Account:** This represents the statutory requirement to account for local authority housing provision as defined in the Housing (Scotland) Act 1987. It shows the major elements of housing expenditure and how these are funded through rents and other income.

**Non Domestic Rates Income Account:** This account provides details of the gross and net income raised from Non Domestic Rates and details the amount payable to the National Non Domestic Rates pool.

**Council Tax Income Account:** This account provides details of the gross and net income raised from Council Tax, together with details of the numbers of properties on which Council Tax is levied and the band charge per property.

**Common Good and Trust Funds:** These statements present the Comprehensive Income and Expenditure Statements, Balance Sheet and Movement in Reserves Statements for the Common Good Fund and separately the various Trust Funds administered by the Council. The value of the Common Good and the Trust Funds as at 31 March 2014 was £99.3 million and £9.5 million respectively.

**Group Accounts:** The Council has an interest in a number of companies and joint ventures. Where material the financial results of subsidiaries, associates and joint ventures are consolidated into the Group Accounts. The aim of these accounts is to show the full extent of the Council's control and influence over service provision, resources and exposure to risk that the Council has taken on through its involvement in the various entities. The Group Accounts comprise: Group Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Group Balance Sheet and a Group Cash Flow Statement. The net worth of the Group as at 31 March 2014 was £1,264.1 million.

#### **Changes to Accounting Policies**

In complying with the Code for 2013/14 the Council has not made any changes to its accounting policies.

As disclosed in the 2012/13 Statement of Accounts there was one International Accounting Standard (IAS) that had been issued but had yet to be adopted and this was amendments to IAS 19, Employee Benefits, which had been issued in June 2011. In 2013/14 this Standard has been adopted. No changes to accounting policies have had to be made as a result of adopting the amendments to IAS 19 and it has had no impact on the Council's financial statements other than a redistribution of costs within the Comprehensive Income and Expenditure Statement.

**Financial Performance****Revenue**

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement (CIES), which can be seen on page 35. The Comprehensive Income and Expenditure Statement complies with the International Financial Reporting Standards based Code of Practice on Local Authority Accounting. However, to show the net position of the Council, it is necessary to adjust this statement for additional items required by statute or non statutory proper practice in determining the position of the General Fund for the year. These are shown at Note 5 in the notes to the accounts.

The outturn position for the General Fund, which has been the subject of monthly scrutiny by the Corporate Management Team and regular reporting to the Finance, Policy and Resources Committee, excluding accounting practice adjustments, compared to budget is summarised below:

<b>As at 31 March 2014</b>	<b>Annual Budget 2013/14</b>	<b>Actual Operating Expenditure 2013/14</b>	<b>(Under) / Over Budget</b>	<b>%</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
<b>Services</b>				
Office of Chief Executive	871	735	(136)	(15.6%)
Corporate Governance	29,074	26,941	(2,133)	(7.3%)
Enterprise Planning and Infrastructure	40,336	37,183	(3,153)	(7.8%)
Housing and Environment	36,633	33,720	(2,913)	(8.0%)
Education, Culture and Sport	162,534	161,507	(1,027)	(0.6%)
Social Care and Wellbeing	121,769	120,253	(1,516)	(1.2%)
<b>Total Service Budgets</b>	<b>391,217</b>	<b>380,339</b>	<b>(10,878)</b>	<b>(2.8%)</b>
<b>Total Corporate Budgets</b>	<b>30,005</b>	<b>33,154</b>	<b>3,149</b>	<b>10.5%</b>
<b>Total Net Expenditure</b>	<b>421,222</b>	<b>413,493</b>	<b>(7,729)</b>	<b>(1.8%)</b>
<b>Funding:</b>				
General Revenue Grant & NDRI	(321,429)	(318,662)	2,767	0.9%
Council Tax and Community Charge Arrears	(99,793)	(102,749)	(2,956)	(3.0%)
<b>Total Funding</b>	<b>(421,222)</b>	<b>(421,411)</b>	<b>(189)</b>	<b>(0.0%)</b>
<b>General Fund surplus for the year</b>	<b>0</b>	<b>(7,918)</b>	<b>(7,918)</b>	

Fees and Charges levied by the Council have been offset against the cost of providing services and are included with the actual cost of Services shown above.

### Budget Performance

Overall, the financial performance has been very positive with an overall contribution to the General Fund from operations of £7.9 million. Notably all Service budgets have performed within budget and a number of factors contribute to the movement from budget in the year with the principal reasons being summarised as:

- Savings arising from the management of staff across all services produced an overall saving of £14.6 million, representing 6.1% of the total staff budget for the General Fund. In critical areas of service delivery these staff vacancies are offset by the managed use of agency or relief staff and where income generation is linked to staffing resources there was a resultant reduction in the income received;
- Excluding staff savings, the performance against budget of Corporate Governance featured costs associated with a higher than budgeted demand for housing benefits, which is not recovered at 100% of the payments made. Additionally, the costs of ICT contracts were higher due to contract variations and work undertaken to improve communication links. On the positive side income exceeded budget with charges to other accounts producing positive results for the Service;
- The performance of Enterprise, Planning and Infrastructure, excluding staff savings, benefited from property repairs and maintenance and rates costs being lower than budget and significantly higher planning and building warrant fee income than budgeted reflecting the strong economic climate in Aberdeen. Conversely, the cost of fleet maintenance was higher reflecting the relative age of the vehicle fleet;
- Housing and Environment's performance against budget, excluding staff savings, included significantly lower costs for homelessness due to reduced use of bed and breakfast accommodation, taking advantage of accommodation secured through the private sector leasing scheme, as well as reduced administration and management costs. On the environmental side there were higher costs in waste disposal based on the tonnages and landfill fees paid and the extension of the food waste programme;
- In Education, Culture and Sport, excluding staff savings, benefit was derived from the release of a previously created provision in relation to swimming pool management fees. Energy costs for schools were significantly higher than budgeted whilst exam fee costs were favourable against budget. Income from recharges to other Local Authorities for children with additional support needs had a positive impact on the position of the service;
- The performance of Social Care and Wellbeing, excluding staff savings, was significantly impacted by the availability of care for Adult client groups resulting in lower than budgeted commissioning costs. This was offset by high costs associated with placing children in residential care settings outside the city. Strong income recoveries from clients and from grants has positively benefited the service overall;
- The Corporate Budgets include Councillor costs, council contingencies, capital financing costs and contributions from the trading operations that are operated by the Council. Unused contingencies had a positive impact, whilst savings in capital financing costs, arising from lower capital expenditure and a lower loans fund pool rate achieved through active treasury management, were utilised to repay additional debt. The trading operations overall surplus was on budget whilst a review of the bad debt provision resulted in an increase of £0.75 million against that budgeted;
- The Insurance Fund was reviewed and a contribution, which is reflected in the Corporate Budgets, of £2 million was made to secure resources for future use;
- The General Revenue Grant and Non Domestic Rates distribution includes year end redeterminations as announced by the Scottish Government during the year and reflects additional income to fund services. Notably, there was an adjustment to reduce the grant receivable by the amount returned to the Council at the end of 2012/13 by Grampian Joint Police Board which was then payable to Police Scotland. This reduction is taken account of in the movement in earmarked reserves reflected within the Corporate Budgets; and
- Income from Council Tax was higher due to additional sums collected for the purposes of supporting affordable housing through a reduction in discount awarded to people with more than one home and because of an overall increase in the number of properties.

The principal sources of funding for the Council during the year are determined centrally by the Scottish Government (General Revenue Grant and Non Domestic Rates distribution) and locally by the Council, through the setting of the Council Tax level. In 2013/14, the level of Council Tax was frozen at a level of £1,230.39 for Band D properties (£1,230.39 2012/13). During 2013/14 the in year collection rate for Council Tax was 93.6%.

The total funding in 2013/14 amounted to:

Council Tax / Community Charge Arrears	£102.749 million
Distribution from Non Domestic Rates Pool	£176.952 million
General Revenue Grant	£141.710 million
<b>Total</b>	<b>£421.411 million</b>

(this represents 24.00% of funding (2012/13: 24.00%))

During the Priority Based Budget setting process for the financial year 2013/14 it was recognised that risks exist in respect of changes in demographics, demands, needs, cost pressures and efficiencies, many of which the Council can not directly influence. In order to address the potential financial impact, approval was sought to set up a financial risk reserve and to use the surplus from 2012/13 to fund it. A total of £5.5 million was set aside for this purpose from the Council's 2012/13 underspend. There was no call on this reserve during 2013/14 but in recognising through the 2014/15 budget setting process that these risks still exist, the reserve remains in place.

#### Reserves

At its meeting of 4 October 2012 the Finance and Resources Committee approved the Revenue and Capital Reserves Strategy for the General Fund (excluding Housing Revenue Account) and other statutory funds.

The Council's General Fund comprises two elements – i) the Uncommitted Balance; and ii) the Earmarked Balance, for sums set aside for specific purposes.

The uncommitted balance is held against the risk of unexpected or unplanned expenditure or reduced income arising in any particular year. The approved strategy agreed that the appropriate level for this fund was £11.3 million (based upon four significant risk areas). The actual uncommitted balance as at 31 March 2014 is £11.3 million, representing 2.6% of the net revenue budget for 2014/15, thus retaining a stable financial position.

In reviewing the balance sheet and inherent risks that the Council has taken on, it is important to note that changes have taken place in the earmarked balance, where a value of £45.8 million has now been set aside to de-risk the Council and to provide funding for specific purposes. A full list of the commitments in the earmarked balance can be seen in Note 6 and can be summarised as needed for the following reasons:

- Balances set aside for financial risks, which are likely to arise in the short to medium term – for example demographic growth leading to increased demand, pay inflation or the impact of welfare reform. The Council holds £7.5 million against these future risks;
- Balances set aside for specific contingent risks, which may arise and are reliant on other factors, which are outside the control of the Council – for example bank overdraft and loan guarantees given to external organisations. The Council is maintaining its commitment to these risks by providing financial backing to arrangements that it has in place. Doing so means that the Council remains in a strong position. The Council holds £5.8 million against these potential future risks;
- Balances set aside, primarily from grant income due to timing differences between the receipt of the grant income and the planned expenditure thereof. The Council holds £2 million of income which has been received in advance of planned expenditure;

- Balances set aside to enable the Council to undertake specific projects, some of which are specifically designed to deliver savings in the future. Examples include the energy efficiency fund, ICT projects, Music Hall redevelopment and funding for affordable housing. The revenue savings from energy efficiency work are used to reinstate the earmarked balance to ensure that the terms of the original Scottish Government Grant to initiate the Fund are met. The Council holds £27.1 million for project related work including funding set aside for future investment strategy commitments; and
- Balances held under the Devolved Education Management (DEM) scheme, which covers Schools and Community Education Centre funds, which permit balances on individual school budgets to be carried forward to the following year. The current balance is £1.8 million for schools and £1.6 million for Community Education Centres.

As at 31 March 2014 the level of reserves is considered to be appropriate in view of the financial liabilities and risks that the Council is likely to face in the short to medium term.

#### **Housing Revenue Account**

The Council has a statutory obligation to maintain a revenue account for its housing provision in accordance with the Housing (Scotland) Act 1987. The Housing Revenue Account (HRA) records all expenditure and income relating to the Council's housing stock. Revenue expenditure on housing management and repairs and maintenance is funded from rent paid by tenants. In addition, the Council pursues a major capital investment programme to improve its housing stock to meet the Scottish Housing Quality Standard by 2015. This programme is funded through both borrowing and rent collected from tenants.

The HRA recorded a £0.85 million surplus for the financial year and this has increased the working balances. The significant movements against budget can be summarised as i) savings against administration and management of the housing stock (£0.6 million); ii) repairs and maintenance savings (£0.4 million); iii) reduction in former tenants arrears (£0.3 million); and iv) increased income from service charges (£0.2 million). These savings enabled an additional £0.5 million of capital expenditure to be paid directly from the collection of rent resulting in a total of £22.6 million being paid in this way, resulting in lower borrowing levels than had been budgeted in 2013/14. This will have a positive impact on the cost of funding debt in 2014/15 and future years.

#### **Significant Trading Operations**

Under the Best Value requirements contained within the Local Government in Scotland Act 2003, councils are required to consider all services provided and determine which are Significant Trading Operations. The Act requires statutory trading accounts to be maintained for Significant Trading Operations and that they should break even over a three year rolling period.

During 2013/14 the Council maintained three Significant Trading Operations. Note 18 provides summarised details for each of the operations. In 2013/14 total expenditure amounted to £33.8 million with turnover of £47.7 million. A gross surplus of £13.9 million was generated prior to refunds of £0.4 million to client services. After taking account of these refunds, a net surplus of £13.5 million was generated and returned to the General Fund balance.

The Code requirements resulted in adjustments of £0.9 million being applied and the final outturn in the statement of accounts is a surplus of £14.4 million.

All of the services achieved an operating surplus in 2013/14 and each of the Significant Trading Operations have achieved a cumulative surplus on an aggregate rolling basis over the three year period from 1 April 2011, as required by the legislation.

## Capital

Capital expenditure is undertaken by the Council having regard to the Prudential Code for Finance in Local Authorities and considerations, in all years, of affordability and sustainability.

An analysis of the capital programme for the year is summarised in the table below and shows the following:

- The General Fund capital budget set by Council was £57.6 million. Subsequently, a further £17 million has been approved by Committee to be rolled forward from 2012/13, which increased the budget to £74.6 million. Re-profiling of budgets in relation to the AWRP and Hydrogen Buses project increased the budget by a further £26.3 million to a total of £100.9 million. Funding of £100.9 million was put in place through a mixture of capital grants, capital receipts, borrowing and other contributions. The Corporate Asset Group works with Services to ascertain a minimum budget requirement during the year which was latterly forecast at £46 million. Expenditure for the year was significantly lower than budget due to a number of factors, including land issues in relation to the Western Peripheral Route and Waste projects, delays in the Council taking delivery of Hydrogen buses, contracts not being in place for the city broadband project and delayed progress on a number of new build and improvement projects due to resource constraints.
- The Housing capital budget set by Council was £47 million. The budgeted level of slippage required on the Housing programme allows for contract variations, projects starting later than anticipated and projects being amended. The approved net programme was therefore £41.5 million. The final expenditure is £37.3 million and is principally funded by a revenue contribution from the HRA of £22.6 million and borrowing from the Council's Loans Fund of £4.4 million, with grants and capital receipts making up the difference.
- The Loans Fund advanced £14.5 million in support of the 2013/14 capital programmes (advances in 2012/13 were £16.5 million).

As at 31 March 2014	Revised Budget £'000	Service Determined Minimum Required £'000	Actual Expenditure £'000	Variance Amount £'000
<b>Capital Expenditure:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Fund Services	100,915	46,034	43,524	(2,510)
Housing	46,930	36,033	37,331	1,298
<b>Total Capital Expenditure</b>	<b>147,845</b>	<b>82,067</b>	<b>80,855</b>	<b>(1,212)</b>
<b>Funding:</b>				
Borrowing	(17,917)	(5,999)	(14,498)	(8,499)
General Capital Grant	(14,102)	(14,102)	(12,685)	1,417
Specific & Other Capital Grants	(7,932)	(9,898)	(10,078)	(180)
Capital Receipts / Capital Fund	(80,381)	(30,484)	(20,557)	9,927
Revenue Contributions	(22,116)	(21,584)	(23,037)	(1,453)
<b>Total Funding</b>	<b>(142,448)</b>	<b>(82,067)</b>	<b>(80,855)</b>	<b>1,212</b>
<b>Slippage Required / (Underspend)</b>	<b>5,397</b>	<b>0</b>	<b>0</b>	<b>0</b>

Within the capital programmes the most significant project has been the AWPR, with £9.1 million being spent in 2013/14. Other significant projects within the General Fund Services programme included investment to enhance and retain the suitability of Council assets (£6.6 million), the 3<sup>rd</sup> Don Crossing (£1.9 million), other roads infrastructure (£4.1 million), Fleet Replacement (£3.2 million), Hydrogen Buses (£3.9 million), School Estate (£4.2 million) and the Household Waste Recycling Centre at Grove Nursery (£1.5 million). The Housing programme included heating system replacement (£4.1 million), structural and other works on multi-storey blocks (£5.9 million), energy efficiency (£2.5 million), window replacement (£1.5 million) and housing modernisation (£8.1 million).

The Council must ensure it complies with the Prudential Code and that over the medium term net external borrowing does not exceed the total of the capital financing requirement. In 2013/14 the capital financing requirement, excluding the public private partnership, was £616.3 million while external borrowing levels were £536.1 million and so were in accordance with the requirements of the code. The Council also has to consider the affordability of its external borrowing and when split between the General Fund and Housing Revenue Account the ratio of capital financing costs to net revenue streams is 6.9% and 16.3% respectively.

The estimate of the impact of the capital investment decisions on council tax and weekly housing rent is of particular significance and in 2013/14 this was £nil and £1.36 per week respectively. The impact on council tax being £nil is due to the freeze on council tax level in 2013/14 and therefore capital investment decisions were funded through efficiencies achieved in service delivery and changes to other funding streams available to the Council.

In line with its accounting policy on non current assets of revaluing assets on a rolling programme over five years the Council revalued a range of operational assets such as depots, libraries and secondary schools in 2013/14. This resulted in a decrease in the value of those assets, as at 31 March 2014, of £2.9 million and represents a mixture of valuation changes across the city. Following a fire at the former Burnside Centre its value was impaired by £2.3 million.

#### **Pension Liabilities**

International Accounting Standard 19 (IAS 19), Employee Benefits, details the accounting treatment to be applied for post employment benefits and classifies them into defined contribution and defined benefit pension arrangements. For defined benefit pension schemes the principle to be applied is that the Council should account for these post employment benefits at the point at which it commits to paying them, rather than when payment actually falls due.

The Cost of Services in the Comprehensive Income and Expenditure Statement therefore includes an appropriate amount for the value of the post employment benefits that the Council has committed to pay, while the effect on the amount to be met from government grants and council tax payers is balanced by entries permitted by statutory regulation meaning only the actual cost falling due in the year is charged to the General Fund. This is because the Council is only funded, and therefore sets its budget, to meet a specific contributable amount each year rather than the benefit entitlement earned by employees. The employer's pension contribution is set on a triennial basis and for 2013/14 was 19.3%.

The net pension liability as at 31 March 2014 shown in Note 22, in accordance with the requirements of IAS 19, amounts to £244.5 million (£321.9 million as at 31 March 2013). This represents a decrease in the liability of £77.4 million and is principally due to a gain on the expected return on assets based on market expectations.

It should be noted that the values calculated are estimates and based on assumptions, providing a snapshot of the position as at 31 March 2014. The triennial valuation, carried out by actuaries, takes a longer term view and considers the appropriate employer's contribution rates and this, together with employee contributions and revenues generated from fund investments, will be utilised to meet the fund's commitments. The latest triennial valuation was carried out as at 31 March 2011 and contribution changes arising from this valuation applied from 1 April 2012.

## Other Funds

**Common Good:** The Common Good performed well against its budgeted use of working balances of £0.5 million, recording a deficit of £0.2 million before gains on the disposal and revaluation of assets. The value of the Common Good was £99.3 million as at 31 March 2014, an increase overall of £21.1 million from last year. A surplus on the revaluation of assets accounted for £20 million of the 21% increase in value of net assets. The year saw the first receipt from the disposal of land at Pinewood/Hazledene which together with future receipts will substantially increase the Common Good reserves over the next five years. This has been invested in line with the approved Common Good investment strategy.

**Trust Funds & Endowments:** The Council administers a number of trust funds and endowments. Some of these have charitable status which requires separate accounts to be prepared and audited for submission to OSCR (Office of the Scottish Charity Regulator). The value of all the Trust Fund balances at 31 March 2014 was £9.5 million. The performance in 2013/14 represents a net increase of £0.6 million from last year. An overall loss on the funds of £0.45 million was improved in the year by the gains associated with the revaluation of investments, specifically the element that is held as land and buildings.

**Capital Fund:** The Council is able, under s.22 of the Local Government (Scotland) Act 1975, to establish a Capital Fund. The fund can be used for defraying capital expenditure and the repayment of the principal on loans. In accordance with s.23 of the Act the Council may pay in to the Fund sums from the sale of property, subject to certain exclusions, and sums as the Council may from time to time direct. The Capital Fund commenced the year with a balance of £49 million and during the year received interest of £0.4 million, net capital receipts of £4.6 million from the disposal of property in the General Fund and contributions of £6.1 million from services. £12.4 million was used to fund capital expenditure leaving a balance as at 31 March 2014 of £47.7 million.

**Insurance Fund:** The Council operates an Insurance Fund, to mitigate the risk of insurance related payments that may arise from claims. The value of the Fund was increased during the year by a contribution from the General Fund of £2 million. The value of the fund as at 31 March 2014 was £2.2 million.

## Group Accounts

The Aberdeen City Council Group consists of subsidiaries, joint venture and associate companies that are combined with Aberdeen City Council to produce a group balance sheet with net assets of £1,264.1 million. This is an increase against the net assets of the Council, which are £1,165.0 million, and is principally due to the inclusion of the net assets of the Common Good and Trust Funds

Performance of subsidiary companies varied with a mixture of surpluses and deficits reported in 2013/14. Common Good benefited from the disposal of land and upward valuation of assets which resulted in a surplus being reported, whilst the Trust Funds also reported a surplus having benefited from increased asset valuations. Sport Aberdeen reported a surplus which was further enhanced by defined benefit pension gains. In the first 8 months of trading, Bon Accord Care Ltd and Bon Accord Support Services Ltd reported losses with defined benefit pension costs impacting adversely on both. Aberdeen Exhibition and Conference Centre (AECC) reported a substantial loss largely due to the impact of a transaction at the end of the financial year which saw the property assets of AECC transferring to the Council at a nominal value. This transaction also saw the long term debt owed by AECC to the Council extinguished. Mountwest 343 Ltd reported a loss following termination of its interest rate SWAP agreement with the Royal Bank of Scotland.

The 2013/14 accounts have been restated following the transfer of the Police and Fire bodies from local to central government. This has had a positive impact on the group accounts of the Council as it has removed significant pension liabilities that both Police and Fire were carrying.



## Other Events

On 1 August 2013, the Council transferred the operation of Adult Social Care Services to Bon Accord Care Ltd and Bon Accord Support Services Ltd. This transfer includes the running of a number of care establishments as well as providing home care services and has effectively changed the service from being one directly provided by the Council to one whereby the Council commission's services from the organisation. The company has an operating licence to use the various establishments, which means that the assets remain in the ownership of the Council. Following an assessment of the relationship between the Council and the companies, the financial performance of both has been consolidated into the 2013/14 group as subsidiaries.

At its meeting on 31 October 2013, the Council approved its Strategic Infrastructure Plan (SIP). The plan seeks to deliver five key goals – a step change to the supply of housing, high quality digital connectivity at home and at work, better local transport, the skills and labour that Aberdeen needs to thrive and a better image for Aberdeen. A key objective of the SIP is to identify priority projects along with funding sources and potential funding models to pay for their delivery. The SIP identifies a proposed funding package for the delivery of each of the priority projects with the majority of the funding being included within the Council's Non Housing Capital Programme.

In December 2013, the Council entered into a development agreement with Muse Developments Ltd and Aviva Investors which allows for the development of the former St Nicholas House site through an investment strip lease arrangement.

The Council is in discussions with a preferred bidder to take forward the development of a new exhibition and conference centre for the City and the redevelopment of the site of the existing facility.

In response to the requirements of the Scottish Government, work is underway in relation to two significant areas – Adult Health and Social Care Integration and the Operation of Local Authority Housing Revenue Accounts (HRAs) in Scotland. Both have timetables for implementation over the next two financial years which the Council will be required to meet.

There are no other material events that have taken place that required either an adjustment to be made, or disclosure to be included in the Financial Statements.

## Impact of the Current Economic Climate

A recent report, *Scotland's public finances: Progress in meeting the challenges*, published by the Auditor General for Scotland and the Accounts Commission, highlighted a number of key messages in relation to the future financial position of the public sector. The public sector will continue to face significant financial challenges with further funding reductions expected, meaning increasingly difficult choices are faced in identifying where spend should be directed while continuing to improve service standards and meet rising demand. The report highlights the need for budget setting to focus on priorities, making clear connections between planned spend and the delivery of outcomes, with rigorous option appraisal being required to ensure good, clear and understood budget decision making. It was also noted that there is generally a focus on the short to medium term i.e. up to five years and work is required to develop long term financial strategies that reflect priorities, risks, liabilities and the implications for affordability.

The Council has followed a priority based budgeting approach since 2011/12 with the 5 Year Business Plan being updated, approved and reaffirmed by the Council as the foundation that has been put in place for financial stewardship and strategic planning for the medium term. In recognition of an increasingly challenging financial position, the Council is looking to build on the current budgeting process to strengthen its approach to strategic planning with a more integrated approach to asset management and planning and a focus on the longer term through outcome budgeting. The Council is well placed to continue to develop its budgeting process to align spend with its outcomes.

An updated revenue and capital reserves strategy was approved by the Finance and Resources Committee in October 2012 and the Council continues to recognise and address any weaknesses identified by prudent financial management to ensure that a pro-active approach is adopted to managing risks, rather than being reactive in an economic environment that is becoming more stable but still has a degree of uncertainty and volatility.

Overall the Council is very well placed to deal with the immediate impact of the economic climate and it will continue to plan for the delivery of effective and efficient services to ensure its financial position remains sustainable and financial risks are identified and mitigated where possible.

**Acknowledgement**

The production of the Statement of Accounts is very much a team effort involving many staff from Finance and other Services in the Council, as well as those in the wider Aberdeen City Council group. I would like to take this opportunity to personally acknowledge the considerable efforts of all staff in the production of the 2013/14 Statement of Accounts. The Council continues to roll out its Finance Framework which provides a platform for staff from across the Council to continue to improve the performance level of staff across the services. I would like to congratulate these valued employees who continue to drive the financial stewardship of the Council forward.

  
Steven Whyte, CPFA  
Head of Finance

30 September 2014

**Statement of Responsibilities**

**The Council is required to:**

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance. The Council has agreed that in the absence of the Head of Finance, the Corporate Accounting Manager will be this officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Financial Statements within two months of receipt of the audit certificate.

**The Head of Finance's responsibilities:**

I am responsible for the preparation of the Council's Financial Statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Financial Statements, I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

I have also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**Financial Position:**

The detailed financial statements set out in pages 33 to 159 give a true and fair view of the financial position of Aberdeen City Council and its group for 2013/14 and its income and expenditure for the year ended 31 March 2014.



Steven Whyte, CPFA  
Head of Finance

30 September 2014

## **Annual Governance Statement**

### **Scope of Responsibility**

The CIPFA / SOLACE Framework *Delivering Good Governance in Local Government* sets out a standard for good corporate governance and this Annual Governance Statement follows the principles contained therein. This Statement explains how Aberdeen City Council has complied with the standard and meets the requirements of relevant legislation and current good practice.

The Council is a complex organisation with many controlling interests in other businesses so this statement extends to cover the organisations included in the Council's Group Accounts, a list of which is included at pages 146 and 147.

### **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes and culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A governance framework has been in place at Aberdeen City Council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

### **The Governance Framework**

The Council has an approved Local Code of Corporate Governance, a copy of which can be read on our website at [www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk)<sup>1</sup>. The Local Code incorporates the six principles recommended in the CIPFA / SOLACE Framework, and was last updated in 2012/13. Against each principle is a set of key documents, policies, arrangements and areas of activity within the Council which address the theme. The principles are:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officer to be effective;
6. Engaging with local people and other stakeholders to ensure robust public accountability.

<sup>1</sup> A copy of the Local Code can be obtained at: <http://councilcommittees/mgConvert2PDF.aspx?ID=23171>

The Council demonstrates its compliance with the principles in many ways, examples include:

- Principle 1** Since the 2012 local government elections the Council's policy statement has been *Aberdeen: The Smarter City*. This policy is supported by the Single Outcome Agreement and progress towards the targets that it sets out is monitored on a regular basis. The Council has continued the development of its five year business plan during 2013/14 and this was the basis for decision making for the 2014/15 budget, supporting a longer term approach to service development and financial planning and it is expected this will be developed and continue to be strongly embedded in the way the Council does business. The individual Services have specific Service Plans and these are monitored through regular reports to the Service Committees.
- Principle 2** The Council has a comprehensive approach to ensure clarity of roles and responsibilities that enable officers to work effectively and submit to the relevant committees suitable recommendations upon which members make decisions. These include Standing Orders, Terms of Reference, Scheme of Delegation and operational management structures. During 2013/14 the Standing Orders and Committee Terms of Reference have been reviewed to ensure they remain relevant and up-to-date.
- Principle 3** Council policies provide a structure to enable staff to know and understand their role and responsibilities as an employee, while the Councillors' Code of Conduct is set out at a national level, applying to all members in Scottish Local Authorities.
- Principle 4** The Standing Orders and Orders of Reference provide the decision making structure to the organisation, with members and officers understanding of roles and responsibilities further enhanced by the Scheme of Delegation. As noted above these documents have been revised during the year. Regular, structured meetings between the Corporate Management Team (CMT) and the Administration leaders as well as annually set committee meetings, pre-agenda meetings and reporting / consultation deadlines ensure that sufficient time is dedicated to decision making. Urgent Business Committees can be called by members at short notice where a Council decision is recognised as essential. The CMT meets regularly and each individual Service has its own scheduled meetings to make decisions, review and monitor progress and cascade information.
- The decision making structure is therefore robust and ensures that organisationally the range of recommendations and the implications for those recommendations presented to members for decisions are clear and understood by officers. It is recognised that key strategic decision making itself is for members and on occasion they are controversial or highly publicised, this is a natural consequence of an organisation operating in a political arena. It should not be overlooked that the systems of decision making are underpinned by a normal decision making process and officers remain rigorous in following those systems.
- The scrutiny in the Council emanates from the Audit and Risk Committee<sup>2</sup>, which has a convener and vice-convener from the opposition groups to enhance the independence and scrutiny function. The Committee comprises 15 Councillors, 8 being selected from the Council Administration. The Committee oversees the system of risk management and is charged with the responsibility for the effectiveness of Internal Audit, while receiving all External Audit reporting and can consider any previously unscrutinised issue, process or practice. The Committee also has responsibility for scrutiny of the Council's Arm's Length External Organisations, through regular reporting.
- The Audit and Risk Committee also receives reports on the system of risk management. The Council has an approved Risk Management Strategy and Manual that maintains a corporate risk register and the Audit and Risk Committee considered an Annual Risk Management report in September 2013. Further review and development of the system of risk management has been undertaken during the year to enhance the Council's approach. Service risk registers are in place across the Council and Committee reporting now requires specific reference to the management of risk.

<sup>2</sup> A copy of the Audit and Risk Committee Orders of Reference can be obtained at: <http://committees.aberdeencity.gov.uk/mgCommitteeDetails.aspx?ID=347>

Principle 5	<p>Members have personal development plans and dedicated days are set aside for member training events, specific training for members of the Audit and Risk Committee has been a feature in 2013/14. The Human Resources and Organisational Development team prepares and provides / commissions management and specialist training courses, while individual Services not only have their own training teams but will procure the necessary training where this is thought appropriate.</p> <p>On an annual basis the Council sets revenue and capital budgets and each is allocated to a named budget holder, with the ultimate accountability and responsibility for each Service budget resting with the Director. The responsibilities of budget holders are set out in the Financial Regulations and the Council has prepared online training and courses are available to enhance knowledge and understanding of financial systems, processes and the monitoring arrangements. During 2013/14 the Finance Framework continued to be developed. This documents the relationships and roles and responsibilities that finance staff and budget holders each have, enabling each to become more effective in their roles. The budgets are monitored on a monthly basis in accordance with a set timetable and financial reports are discussed widely and this includes by the CMT, Service Management Teams, Service Committees and the Finance, Policy and Resources Committee.</p>
Principle 6	<p>Engagement with local people and stakeholders is driven through a number of routes, with the Community Planning Partnership of particular importance. Specific events are carried out on a regular basis or when a matter of appropriate importance demands it. This can be with the general public or specific groups as well as partners, staff and trade unions. The Community Planning Partnership website provides access to information on engagement events, how citizens can get involved and feedback.</p> <p>Performance reporting is critical to the Council and is discussed regularly with Service Committees receiving performance reports, while the Aberdeen Performs website provides information on the key priorities of the Council and its performance. This is aligned to the Business Plan.</p>
	<p>The legislative framework of local government defines a number of posts which are primary to the governance arrangements in the Council, these include the head of paid service – a role fulfilled by the Chief Executive; the Chief Financial Officer, often referred to as the s.95 officer on account of it being required by s.95 of the local Government (Scotland) Act 1973 – the Head of Finance is defined as this officer; and the Monitoring Officer – a post undertaken by the Head of Legal and Democratic Services – a requirement of s.5 of the Local Government &amp; Housing Act 1989. All these post holders are full members of the Council's most senior officer team, the Corporate Management Team.</p>
	<p>In recognition of the significant role that the Chief Financial Officer (CFO) has in relation to financial performance and the financial control environment, CIPFA published in April 2010 <i>the role of the chief financial officer in local government</i> in which it sets out five principles that define the core activities and behaviours that belong to the role. These principles cover the importance of being a key member of the Leadership Team, being actively involved in and influencing decision making and leading the delivery of good financial management across the whole organisation.</p>
	<p>In a year that saw a number of changes in the Corporate Management Team (CMT), the Head of Finance also left the Council during 2013/14. The Council promptly ensured the continuity of expertise in this post while the recruitment for a new Head of Finance was undertaken. The actions taken by the Council saw the promotion, from within the organisation, of a highly experienced individual to fulfil the principles set out by CIPFA and to maintain professional financial advice to officers and members during a period where the Strategic Infrastructure Plan was approved, confirming the Council's long term infrastructure investment commitments for the future, and the continued development of the highly regarded priority based budget process resulted in the updating of the five year business plan. Throughout the year the post has been carried out by a qualified accountant with many years experience at a senior level, who was responsible for a finance team where the only exception to the role is the day to day responsibility for the Internal Audit Function.</p>
	<p>Fundamentally all reports were provided to the CFO during the year and this extended to all Council reports under Standing Orders and Financial Regulations requirements, providing a process by which influence could be brought to bear in relation to all business decisions.</p>

During the financial year new Directors of Social Care and Wellbeing and Corporate Governance were appointed. Effective solutions, which included clearly defined roles for individuals who were temporarily promoted to fulfil the roles and an ethos of teamwork by the CMT, were put in place to ensure the team operated effectively during the transition and a new permanent CMT was in place by the end of the calendar year.

Restructuring of the operational running of the Council was announced by the Chief Executive in the final quarter of the financial year as she reflected on the challenges of the future and work began on the next phase of developing the Council and making it fit for the future. This has continued despite the Chief Executive tendering her resignation at the end of the financial year as momentum has been maintained with the prompt replacement of the Chief Executive, an appointment made in early 2014/15 that resulted in internal promotion, and the restructuring proposals being taken forward.

The Council's controlling interests extend beyond the organisation itself and as such the influence, accountability and responsibilities that the Council has to the organisations which form part of its group are vitally important. In recent years the group governance framework has been recognised as an area that required development and as such this was reviewed and changes were made to ensure that the framework is one that provides clarity and consistency in the Council's relationship with the group entities. This provides a firm structure upon which to build scrutiny of performance management in 2014/15.

#### **Review of Effectiveness**

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The Council approaches this with reference to different layers of assurance, namely management assurance both internally through the Council and externally through the group entities; the assurance and recommendations provided by internal audit; and external audit and other external scrutiny reports.

#### **Management Assurance:**

Each head of service has reviewed the arrangements in his / her portfolio and certified their effectiveness to the Head of Finance. These assurances included internal financial controls and provide the opportunity to highlight any weaknesses or areas of concern that should be taken account of. Any significant control weaknesses will be incorporated into the 'Significant Governance Issues' section where it's determined necessary. For 2013/14 there is one area highlighted, fraud detection, which was deemed appropriate to include as an issue to be addressed.

In reviewing this it has been assessed that the Council's financial management arrangements conform to the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010). Furthermore in relation to the statutory postholders, the effectiveness of the Council's arrangements can be evidenced through the relationship that they have had throughout the year with the Council and its officers, being full members of the Corporate Management Team. In addition the CFO and Monitoring Officer are in attendance to advise not only the Council at its meetings, but the Audit and Risk Committee and the Finance, Policy and Resources Committee.

The Council Committee structure follows and supports the organisational and management structure, incorporating a culture of accountability that has been developed throughout the Council. The Audit and Risk Committee remains responsible for ensuring the effectiveness of the internal audit function and also considering all reports prepared by the external auditor.

Assurances in relation to their control environment have been sought and received from organisations included within the Group. This assurance has been provided by either the Chief Executive or Director of Finance. There are no significant areas to be included in this statement. It is recognised that more regular reporting and scrutiny across the Group requires continued development, and this is a recognised priority of the Council to firmly embed in the organisation.

The Annual Governance Statement from 2012/13 identified four significant governance issues and in reviewing the progress made by officers on these actions, one of these (Cash Fraud) has progressed sufficiently to be removed.

*Assurance from Internal Audit:*

The Internal Audit function is under contract to PricewaterhouseCoopers LLP.

At the end of the year the Head of Internal Audit provided the Council with a written report on risk management, controls and governance framework during the year and the report issued covered the year ending 31 March 2014

The report showed that 25 audits had been carried out and that out of 118 recommendations there were no business critical risk recommendations. The Council in all instances responded to the various recommendations made by Internal Audit. The report refers, as at 31 March 2014, to good progress having been made by officers in implementing recommendations, with 96 recommendations having been due to be implemented within the period of which 72% (67) have been agreed by Internal Audit as fully implemented. Positive progress on addressing the areas of weakness is being made by management and evidence was able to be provided to show the implementation of those recommendations. Where recommendations remain outstanding, Internal Audit highlight the need for management to complete the work at the earliest opportunity and this is being done in accordance with revised completion dates.

During the year the Audit and Risk Committee received a range of reports produced by Internal Audit which enabled scrutiny and questioning of officers to take place, such that the Committee has gained assurance about the identified weaknesses and the actions being taken to address them.

*External Audit and Other External Scrutiny:*

The External Auditor, Audit Scotland, reports regularly to the Audit and Risk Committee and their reports cover the range of year end financial audits that are required at a local level and with a national perspective.

In April 2013 an assessment of the Council compliance with the Data Protection Act 1998 (DPA) was undertaken by the Information Commissioner's Office (ICO). The Council chose to seek assurances in the areas of Data Governance, Training and Security and it involved auditors from the ICO and took the form of interviews and site visits. The ICO have concluded that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. The audit has identified some scope for improvement in existing arrangements to reduce the risk of non-compliance with the DPA and the Audit and Risk Committee continues to monitor the implementation of the recommended actions.

In June 2013 the Audit and Risk Committee received the updated Assurance and Improvement Plan (AIP) for the period 2013-16 which makes reference to the Council reporting good progress against many areas of its business plan. Furthermore it reflected on there being no additional scrutiny activity being required, although a number of areas were identified where further information was to be sought. These areas of further information included Housing, Homelessness, Social Care and Wellbeing, particularly in relation to the creation of Bon Accord Care / Support Services, and Leadership and Culture with reference to the self-evaluation actions identified in 2012/13.

The impact of external scrutiny on other organisations came into sharp focus when the HM Inspectors at Education Scotland reported on and recommended that The Hamilton School, an independent school in Aberdeen, should have its registration as an independent school urgently reviewed, with the consequence that the school shut with immediate effect. The response by the Council was prompt, comprehensive and effective in meeting the statutory obligation for educating children and resulted in a mothballed school being brought back into use over a weekend so that education for the children affected could continue. This is strong evidence of the effective governance that the Council has in place to respond to unplanned and unexpected situations.

In terms of the controlling interest in the group entities reliance has also been placed on each organisation's most recent audited accounts together with Council officer's detailed knowledge of these organisations as a consequence of their continued involvement with these companies.



**Audit and Risk Committee Self-Evaluation:**

The Audit and Risk Committee recognised the benefits of self-evaluation, using tools such as CIPFA's "A toolkit for Local Authority Audit Committees" and agreed at its meeting in February 2014 to do a self-evaluation. The results were reported in May 2014 and a number of recommended actions were agreed that will develop the Committee and the Council.

In summary the Council has undertaken a self-evaluation of its Local Code of Corporate Governance and determined that there is strong compliance with the Code and that governance processes, procedures, performance reporting and engagement material are well managed by the organisation. The Council has a clear approach to the decision-making process and seeks to engage with those in the community and with partners and staff.

**Significant Governance Issues**

While the review of effectiveness allows the Council to place reasonable reliance on the Council's, and its Group, systems of internal control, the Council continues to address control weaknesses identified during audits and good progress is being made in the implementation of recommendations.

The exceptions highlighted have been, or will be, addressed through the actions set out below.

Issue Ref.	Issue Description	Source of Evidence	Action
1.	Group Governance; following further work on the framework for governance there remains work to be carried out to deliver consistent and regular scrutiny of the group and external organisations.	Self-evaluation; Internal Audit Annual Statement 2012/13; 2013/14.	Significant progress was made to address the lack of a clear and consistent framework for group governance and this was reported and approved by Council Committees during 2013/14. There remains the regularisation of the scrutiny work by the officers and members and this will be taken forward during 2014/15.
2.	Business Continuity; in 2012/13 an internal audit identified a number of significant recommendations which have been acted upon but due to business continuity being tested during the year a number of new lessons were learnt and these require to be addressed.	Internal Audit Annual Statement 2012/13; Self-evaluation.	A system failure in March tested the response capabilities of the Council and therefore it is appropriate for officers to revisit the robustness of business continuity planning, and address the lessons learnt from that system failure.
3.	Lone Working Arrangements; policies and procedures for lone working within Social Care & Wellbeing require to be put in place to ensure that management understands the level of risk, and a consistent approach is taken to mitigate that risk.	Internal Audit Annual Statement 2012/13.	Social Care & Wellbeing officers have prepared a policy on lone working and as yet this has not been approved and implemented therefore it has yet to address the recommendations of the audit, completing the implementation is therefore necessary.
4.	Contract Management (Social Care & Wellbeing); contract management practices require to be improved to address gaps in information and performance management data.	Internal Audit Annual Statement 2013/14.	To fully implement the recommendations as agreed in the internal audit report.
5.	Building Services; backlogs in billing and poor procedural arrangements resulted in ineffective and inefficient invoicing processes being identified, which impacted on the timely billing of customers. The initial audit work was followed up at the end of the year and significant progress had been made but some actions remained outstanding.	Internal Audit Annual Statement 2013/14.	To fully implement the recommendations as agreed in the internal audit report.

Issue Ref.	Issue Description	Source of Evidence	Action
6.	Community Centres; identified weaknesses in relation to Protecting Vulnerable Groups (PVG) checks had the potential for a reputational impact on the Council.	Internal Audit Annual Statement 2013/14.	To fully implement the recommendations as agreed in the internal audit report.
7.	Sourcing and Management of Agency Staff; the risks in relation to longer term cover for posts was identified, which could result in financial liabilities arising for the Council.	Internal Audit Annual Statement 2013/14.	To fully implement the recommendations as agreed in the internal audit report.
8.	Fraud Uncovered; a review of contract arrangements revealed weaknesses in the control environment for which action has been taken during the year to strengthen and improve.	Self-evaluation 2013/14.	To fully implement the recommendations arising from the work.
9.	Investigation Required; an investigation has been instructed following the allegations made regarding baby and adult cremations at Hazlehead Crematorium.	Self-evaluation 2013/14.	To investigate fully and report on the findings.

**Certification**

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its Group systems of governance. The annual review demonstrates sufficient evidence that the Code of Corporate Governance operates effectively, and the Council and its Group propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.



Angela Scott  
Chief Executive

on behalf of Aberdeen City Council

30 September 2014



Councillor Jennifer Laing  
Leader of the Council

## Remuneration Report

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 and require local authorities in Scotland to prepare a Remuneration Report as part of the Statement of Accounts.

### Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2013 (SSI No. 2013/351) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2008 (SSI No. 2008/415). The Regulations provide for the grading of councillors for the purpose of remuneration arrangements, as either the Leader of the Council, the Lord Provost, Senior Councillor or Councillor. The Leader of the Council and the Lord Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the council's political management structure.

When determining the level of remuneration for councillors, Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Department Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowance and expenses to be paid to local authority councillors.

The salary that is paid to the Leader of the Council is set out in the Regulations. For 2013/14 the salary of the Leader of Aberdeen City Council is £38,259. The Regulations permit the Council to remunerate one Lord Provost and set out the maximum annual salary that may be paid. Council policy is to pay at the national maximum, £28,694.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £428,359. The Council can exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The maximum number of Senior Councillors that the Council can have is 19. Council policy is to pay each of the six principal Committee Conveners 75 per cent of the total yearly amount payable to the Leader of the Council, £28,694, with the remaining Senior Councillors receiving 75 per cent of that sum, namely £21,521.

In 2013/14, Aberdeen City Council had 19 Senior Councillor posts. Following changes to the Committee structure approved in August 2013 while a number of roles and responsibilities changed, the salary and allowances paid to them totalled £417,176 which was below the maximum allowed.

The Regulations also permit the Council to pay contributions covering other payments, as required, to the Local Government Pension Scheme in respect of those Councillors who elect to become councillor members of the pension scheme.

The salary of senior employees is set by reference to local arrangements. While the Scottish Joint Negotiating Committee for Local Authority Services (SJNC) sets the salaries for the Chief Executives of Scottish Local Authorities and Circular CO/146 recommended the amount of salary for the Chief Executive for the period 2013 to 2015, during the recruitment of the Chief Executive in 2008/09, the Council agreed to pay the Chief Executive an alternative amount. This was to take account of local conditions at the time.

The salaries of the Directors and Heads of Service are based on Aberdeen City Council's local job evaluation model and applied in conjunction with the national Chief Officer spinal column points. Directors are based on Chief Officer spinal column point 53. The Heads of Finance, and Legal and Democratic Services are both paid based on Chief Officer spinal column point 36, and all other Heads of Service are paid based on Chief Officer spinal column point 34.

Aberdeen City Council takes part in the setting of the remuneration of its subsidiaries, Aberdeen Exhibition and Conference Centre Ltd, Sport Aberdeen Ltd and Bon Accord Support Services Ltd, only in so far as it is represented on the Board of Directors by elected members.

Remuneration Disclosures:

Table 1: In bands of £5,000 the number of people who have received actual salary remuneration of greater than £50,000. This includes, where applicable, head teachers and other senior teaching staff.

Table 2: Details of total remuneration paid to the Council's Councillors. The annual return of Councillors' salaries and expenses for 2013/14 is available to any member of the public on the Council's website at [www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk). Follow the links through the 'Council and Government' page, clicking on 'Councillors and Committees' followed by 'Councillors Allowances and Expenses'.

Table 3: Details of exit packages.

Table 4: Details of remuneration paid to the Council's Senior Councillors and Conveners and Vice-Conveners of Joint Boards. The 'Other Expenses' shown include the cost of Travel and Subsistence incurred or booked on behalf of Councillors travelling on Council business.

Table 5: Details of remuneration paid to Senior Employees of the Council.

Table 6: Details of remuneration paid to the Senior Employees of the Council's subsidiary bodies i.e. Aberdeen Exhibition and Conference Centre Ltd, Sport Aberdeen Ltd and Bon Accord Support Services Ltd.

Table 1: Remuneration Bands

Remuneration Band	Number of Employees	
	2012/13	2013/14
£50,000 - £54,999	138	121
£55,000 - £59,999	24	28
£60,000 - £64,999	8	5
£65,000 - £69,999	4	6
£70,000 - £74,999	6	7
£75,000 - £79,999	13	12
£80,000 - £84,999	4	3
£85,000 - £89,999	3	-
£90,000 - £94,999	-	2
£95,000 - £99,999	2	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	4	3
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	1	1
<b>Total</b>	<b>207</b>	<b>188</b>

Table 2: Total Remuneration Paid to Councillors

	2012/13 £	2013/14 £
Salaries	868,893	874,809
Allowances	-	-
Expenses	51,587	57,743
<b>Total</b>	<b>920,480</b>	<b>932,552</b>

Table 3: Exit Packages

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Exit Packages Approved		Total Cost of Exit Packages by Cost Band	
	2012/13	2013/14	2012/13	2013/14	2012/13 £'000	2013/14 £'000
£0 - £19,999	-	-	14	13	93	49
£20,000 - £39,999	-	-	11	2	311	59
£40,000 - £59,999	-	-	5	1	228	48
£60,000 - £79,999	-	-	2	1	137	67
£80,000 - £99,999	-	-	-	-	-	-
£100,000 - £149,999	-	-	1	-	120	-
£150,000 - £199,999	-	-	-	-	-	-
			<b>33</b>	<b>17</b>	<b>889</b>	<b>223</b>

The total cost of £223,000 in Table 3 above includes £nil for exit packages that have been approved, accrued for and charged to the Authority's Comprehensive Income and Expenditure Statement in the current year (2012/13 £nil).

Table 4: Remuneration of Senior Councillors and Conveners and Vice-Conveners of Joint Boards

2012/13		2013/14					Notes
Total Remuneration £	Councillor Name	Responsibility	Salary, Fees and Allowances £	Non-Cash Expenses & Benefits-In-Kind £	Other Expenses £	Total Remuneration £	
	<b>Senior Councillors</b>						
43,386	Barney Crockett	Leader of the Council	38,259	725	13,196	52,180	1
25,770	Marie Boulton	Depute Council Leader	28,694	203	-	28,897	2
28,997	George Adam	Lord Provost	28,694	367	7,005	36,066	
2,501	Peter Stephen	Lord Provost (until 3 May 2012)	-	-	-	-	
19,479	John Reynolds	Depute Provost	21,521	225	5,111	26,857	
18,869	Yvonne Allan	Convener, Property Sub Committee (from 21 August 2013)	21,521	141	500	22,162	3
1,825	Kirsty Blackman	Convener, Licensing Committee (until 3 May 2012)	-	-	-	-	
25,122	Neil Cooney	Convener, Housing and Environment	28,694	788	205	29,687	
2,038	John Corral	Vice Convener, Enterprise, Planning and Infrastructure (until 3 May 2012)	-	-	-	-	
1,625	Irene Cormack	Convener, Appeals Committee (until 29 June 2011)	-	-	-	-	
2,581	Kate Dean	Convener, Enterprise Planning and Infrastructure (until 3 May 2012)	-	-	-	-	
1,925	Alan Donnelly	Vice Convener, Audit and Risk (until 3 May 2012)	-	-	-	-	
1,839	Jackie Dunbar	Convener, Appeals Committee (until 3 May 2012)	-	-	-	-	4
21,152	Lesley Dunbar	Vice Convener, Social Care, Wellbeing and Safety	21,521	247	1,216	22,984	
1,977	Neil Fletcher	Convener, Pensions Panel (until 3 May 2012)	-	-	-	-	
16,995	Fraser Forsyth	Convener, Licensing Committee	25,904	177	81	26,162	5
25,540	Gordon Graham	Vice Convener, Social Care, Wellbeing and Safety - with responsibility for Police Scotland and the Scottish Fire and Rescue Service (from 21 August 2013)	24,705	652	125	25,482	6
19,757	Ross Grant	Convener, Appeals Committee	21,521	175	-	21,696	
25,762	Len Ironside CBE	Convener, Social Care, Wellbeing and Safety	28,694	354	1,278	30,326	
1,917	Muriel Jaffrey	Convener, Licensing Board (until 3 May 2012)	-	-	-	-	
2,368	James Kiddie	Convener, Social Care and Wellbeing (until 3 May 2012)	-	-	-	-	
25,403	Jennifer Laing	Convener, Education Culture and Sport	28,694	217	509	29,420	7
25,369	Aileen Malone	Vice Convener, Audit and Risk (until 21 August 2013)	7,693	184	865	8,742	
28,091	Callum McCaig	Convener, Audit and Risk Committee	27,259	165	62	27,486	
20,223	Ramsay Milne	Convener, Planning Development Management (from 21 August 2013)	21,521	189	1,167	22,877	8
21,484	Jean Morrison MBE	Vice Convener, Housing and Environment	21,521	39	359	21,919	
2,194	Jim Noble	Vice Convener, Finance and Resources (until 3 May 2012)	-	-	-	-	
1,975	Richard Robertson	Vice Convener, Social Care and Wellbeing (until 3 May 2012)	-	-	-	-	
1,856	Jennifer Stewart	Vice Convener, Education, Culture and Sport (until 3 May 2012)	-	-	-	-	
19,727	Angela Taylor	Vice Convener, Enterprise, Strategic Planning and Infrastructure (from 21 August 2013)	21,521	190	413	22,124	9
19,403	Ross Thomson	Vice Convener, Education, Culture and Sport	21,521	181	-	21,702	
2,461	John West	Convener, Education, Culture and Sport (until 3 May 2012)	-	-	-	-	
25,317	William Young	Convener, Finance, Policy and Resources	28,694	173	606	29,473	
3,163	Ian Yuill	Vice Convener, Audit and Risk (from 26 June 2013)	15,977	133	323	16,433	
	<b>Councillors</b>						
24,484	Scott Carle	Convener, Grampian Joint Fire and Rescue Board (until 31 March 2013)	-	-	-	-	10
2,100	Wendy Stuart	Vice Convener, Grampian Joint Fire and Rescue Board (until 3 May 2012)	-	-	-	-	11
2,363	Martin Greig	Convener, Grampian Joint Police Board (until 3 May 2012)	-	-	-	-	12
<b>517,038</b>	<b>Total</b>		<b>484,129</b>	<b>5,525</b>	<b>33,021</b>	<b>522,675</b>	

**Table 4: Notes**

<b>Note 1:</b>	Councillor Crockett was Leader of the Council until 14 May 2014. During 2013/14 he was also Convener of Enterprise, Strategic Planning and Infrastructure Committee and Convener of the Pensions Panel.
<b>Note 2:</b>	Councillor Boulton was also Convener of Licensing Board.
<b>Note 3:</b>	Prior to her appointment as Convener of the Property Sub Committee, Councillor Allan was Vice-Convener of Finance and Resources Committee. As such a full year disclosure of remuneration has been made.
<b>Note 4:</b>	Councillor Jackie Dunbar was also Vice-Convener of Housing and Environment Committee until 3 May 2012.
<b>Note 5:</b>	Councillor Forsyth was also Vice-Convener of Finance, Policy and Resources from 21 August 2013. In 2012/13 he was Convener of Grampian Joint Police Board. The amount recharged to Grampian Joint Police Board in 2013/14 was £nil (2012/13 £2,661).
<b>Note 6:</b>	Prior to his appointment as Vice-Convener of Social Care, Wellbeing and Safety, Councillor Graham was Convener of the Corporate Policy and Performance Committee. As such a full year disclosure of remuneration has been made.
<b>Note 7:</b>	Councillor Laing was appointed as Leader of the Council from 15 May 2014.
<b>Note 8:</b>	Prior to his appointment as Convener of the Planning Development Management Committee Councillor Milne was Vice-Convener of Enterprise, Planning and Infrastructure Committee. As such a full year disclosure of remuneration has been made.
<b>Note 9:</b>	Prior to her appointment as Vice Convener of Enterprise, Planning and Infrastructure Committee, Councillor Taylor was Vice-Convener of Corporate Policy and Performance Committee. As such a full year disclosure of remuneration has been made.
<b>Note 10:</b>	Following the creation of the Scottish Fire and Rescue Service on 1 April 2013 Grampian Joint Fire and Rescue Board ceased to exist. The amount recharged to Grampian Joint Fire and Rescue Board in 2013/14 was £nil (2012/13 £9,207).
<b>Note 11:</b>	Following the creation of the Scottish Fire and Rescue Service on 1 April 2013 Grampian Joint Fire and Rescue Board ceased to exist. The amount recharged to Grampian Joint Fire and Rescue Board in 2013/14 was £nil (2011/13 £431).
<b>Note 12:</b>	Following the creation of Police Scotland on 1 April 2013 Grampian Joint Police Board ceased to exist. The amount recharged to Grampian Joint Police Board in 2013/14 was £nil (2012/13 £972).

Table 5: Remuneration of Senior Employees of the Council

2012/13		2012/13		2013/14		2013/14		2013/14	
Full Time Equivalent £	Total Remuneration £	Name	Post Title	Full Time Equivalent £	Salary, Fees and Allowances £	Compensation for Loss of Employment £	Total Remuneration £		
141,834	148,413	Valerie Watts	Chief Executive	143,253	143,858	-	143,858		
109,827	27,081	Gayle Gorman	Director of Education Culture and Sport	110,925	112,823	-	112,823		
109,827	33,751	Patricia Cassidy	Acting Director of Education Culture and Sport (from 16 April until 17 June 2012 and 12 November until 31 December 2012)	-	-	-	-		
109,827	18,077	David Leng	Acting Director of Education Culture and Sport (from 13 February until 15 April 2012 and 1 October until 11 November 2012)	-	-	-	-		
109,827	31,429	Charles Penman	Acting Director of Education Culture and Sport (from 18 June until 30 September 2012)	-	-	-	-		
109,827	2,334	Annette Bruton	Director of Education Culture and Sport (until 12 February 2012)	-	-	-	-		
-	-	Angela Scott	Director of Corporate Governance (from 20 November 2013)	110,925	40,115	-	40,115		
-	-	Paul Fleming	Acting Director of Corporate Governance (from 16 September until 1 November 2013)	110,925	13,869	-	13,869		
-	-	Ewan Sutherland	Acting Director of Corporate Governance (from 29 July until 15 September 2013)	110,925	13,869	-	13,869		
109,827	112,506	Stewart Carmuth	Director of Corporate Governance (until 2 August 2013)	110,925	37,836	-	37,836		
109,827	112,506	Pete Leonard	Director of Housing and Environment	110,925	110,925	-	110,925		
-	-	Elizabeth Taylor	Director of Social Care and Wellbeing (from 1 October 2013)	110,925	55,417	-	55,417		
110,925	112,506	Fred McBride	Director of Social Care and Wellbeing (until 30 September 2013)	110,925	55,615	-	55,615		
109,827	112,506	Gordon McIntosh	Director of Enterprise Planning and Infrastructure	110,925	110,925	-	110,925		
-	-	Steven Whyte	Head of Finance (s.95 Officer) (from 27 January 2014)	81,410	69,997	-	69,997		
-	-		Acting Head of Finance (s.95 Officer) (from 22 May 2013 until 26 January 2014)						
80,604	82,570	Barry Jenkins	Head of Finance (s.95 Officer) (until 31 August 2013)	81,410	33,921	51,732	85,653		
80,604	82,570	Jane MacEachran	Head of Legal and Democratic Services (Monitoring Officer)	81,410	82,606	-	82,606		
			Acting Director of Corporate Governance (from 4 November until 19 November 2013)						
77,166	79,145	Ciaran Monaghan	Head of Service, Office of Chief Executive	77,938	78,541	-	78,541		
	<b>955,394</b>	<b>Total</b>			<b>960,317</b>	<b>51,732</b>	<b>1,012,049</b>		

The senior employees included in Table 5 include any Council employee:

- Who has responsibility for management of the Council to the extent that the person has power to direct or control the major activities of the Council (including activities involving the expenditure of money), during the year to which the Report relates whether solely or collectively with other persons;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration, including any remuneration from a Council subsidiary body, is £150,000 or more.



Table 6: Remuneration – the Council's Subsidiary Bodies

2012/13		2013/14				
Total Remuneration £	Name	Post Title	Salary, Fees and Allowances £	Performance Related Pay £	Benefits Other Than in Cash £	Total Remuneration £
119,563	Brian Horsburgh	Managing Director Aberdeen Exhibition & Conference Centre Ltd	116,606	23,200	699	140,505
90,036	Alistair Robertson	Managing Director Sport Aberdeen Ltd	80,822	-	-	80,822
-	Sandra Ross	Managing Director Bon Accord Support Services Ltd	61,276	-	-	61,276
<b>209,599</b>	<b>Total</b>		<b>258,704</b>	<b>23,200</b>	<b>699</b>	<b>282,603</b>

#### Pension Benefits

Pension benefits for Councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). Aberdeen City Council is a member of the North East Scotland Pension Fund (NESPF).

Councillors' pension benefits are based on career average pay. The Councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees, this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership.

The tiers and members contribution rates for 2013-14 are as follows:

Whole time pay	Contribution rate 2012/13
On earnings up to and including £19,400	5.5%
On earnings above £19,400 and up to £23,700	7.25%
On earnings above £23,700 and up to £32,500	8.5%
On earnings above £32,500 and up to £43,300	9.5%
On earnings above £43,300	12%

Whole time pay	Contribution rate 2013/14
On earnings up to and including £19,800	5.5%
On earnings above £19,800 and up to £24,200	7.25%
On earnings above £24,200 and up to £33,200	8.5%
On earnings above £33,200 and up to £44,200	9.5%
On earnings above £44,200	12%

If a person works part-time, their contribution rate is worked out on the whole-time pay rate for the job with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) their annual pension for a lump sum payment up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without a reduction on account of its payment at that age; without exercising any option to commute their pension entitlement into a lump sum and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not necessarily just their current appointment.

The scheme's normal retirement age for both Councillors and employees is 65.

Pension Disclosures:

Table 7: Details of pension contributions made by the Council to the North East Scotland Pension Fund (NESPF) on behalf of Senior Councillors and Conveners and Vice-Conveners of Joint Boards, and their individual pension entitlements as at 31 March 2014.

Table 8: Details of pension contributions made by the Council to the NESPF on behalf of Senior Employees of the Council, and their individual pension entitlements as at 31 March 2014.

Table 9: Details of pension contributions made by the Council's subsidiary bodies i.e. Aberdeen Exhibition and Conference Centre Ltd, Sport Aberdeen Ltd and Bon Accord Support Services Ltd, on behalf of their Senior Employees.

Table 7: Pension Benefits – Senior Councillors

Councillor Name	Responsibility	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		For year to 31 March 2013 £	For year to 31 March 2014 £		As at 31 March 2014 £'000	Difference from 31 March 2013 £'000
<b>Senior Councillors</b>						
Barney Crockett	Leader of the Council	7,008	7,384	Pension Lump Sum	3	1
Marie Boulton	Depute Council Leader	4,802	5,538	Pension Lump Sum	2	-
George Adam	Lord Provost	4,802	5,538	Pension Lump Sum	2	1
John Reynolds	Depute Provost	3,600	4,154	Pension Lump Sum	1	-
Yvonne Allan	Convener, Property Sub Committee (from 21 August 2013)	3,600	4,154	Pension Lump Sum	2	-
Kirsty Blackman	Convener, Licensing Committee (until 3 May 2012)	344	-	Pension Lump Sum	2	-
Neil Cooney	Convener, Housing and Environment	4,802	5,538	Pension Lump Sum	2	1
John Corall	Vice-Convener, Enterprise, Planning and Infrastructure (until 3 May 2012)	344	-	Pension Lump Sum	2	-
Kate Dean	Convener, Enterprise Planning and Infrastructure (until 3 May 2012)	471	-	Pension Lump Sum	-	(3)
Alan Donnelly	Vice-Convener, Audit and Risk (until 3 May 2012)	344	-	Pension Lump Sum	-	(2)
Jackie Dunbar	Convener, Appeals Committee (until 3 May 2012)	344	-	Pension Lump Sum	-	(4)
Lesley Dunbar	Vice-Convener, Social Care, Wellbeing and Safety	3,708	4,154	Pension Lump Sum	-	(8)
Neil Fletcher	Convener, Pensions Panel (until 3 May 2012)	366	-	Pension Lump Sum	-	(2)
Fraser Forsyth	Convener, Licensing Committee	3,147	4,999	Pension Lump Sum	1	(1)
Gordon Graham	Vice-Convener, Social Care, Wellbeing and Safety - with responsibility for Police Scotland and the Scottish Fire and Rescue Service (from 21 August 2013)	4,802	4,768	Pension Lump Sum	2	-
Ross Grant	Convener, Appeals Committee	3,708	4,154	Pension Lump Sum	1	-
Muriel Jaffrey	Convener, Licensing Board (until 3 May 2012)	344	-	Pension Lump Sum	3	-
<b>Sub Total</b>		<b>46,536</b>	<b>50,381</b>	<b>Pension Lump Sum</b>	<b>26</b>	<b>(4)</b>
					<b>15</b>	<b>(12)</b>

Councillor Name	Responsibility	For year to 31 March 2013 £	For year to 31 March 2014 £	As at 31 March 2014 £'000	Difference from 31 March 2013 £'000
<b>Senior Councillors (continued)</b>					
<b>Total Carried Forward</b>		<b>46,536</b>	<b>50,381</b>	<b>26</b>	<b>(4)</b>
James Kiddie	Convener, Social Care and Wellbeing (until 3 May 2012)	449	-	15	(12)
Jennifer Laing	Convener, Education Culture and Sport	4,802	5,538	3	-
Aileen Malone	Vice-Convener, Audit and Risk (until 21 August 2013)	4,179	1,485	2	-
Callum McCaig	Convener, Audit and Risk Committee	5,298	5,261	1	-
Ramsay Milne	Convener, Planning Development Management (from 21 August 2013)	3,708	4,154	3	1
Jean Morrison MBE	Vice-Convener, Housing and Environment	3,708	4,151	1	1
Jennifer Stewart	Vice-Convener, Education, Culture and Sport (until 3 May 2012)	344	-	-	(2)
Angela Taylor	Vice-Convener, Enterprise, Strategic Planning and Infrastructure (from 21 August 2013)	3,708	4,154	-	(2)
Ross Thomson	Vice-Convener, Education, Culture and Sport	3,708	4,154	1	1
John West	Convener, Education, Culture and Sport (until 3 May 2012)	471	-	-	(2)
William Young	Convener, Finance, Policy and Resources	4,802	5,538	2	(2)
Ian Yuill	Vice-Convener, Audit and Risk (from 26 June 2013)	607	3,084	1	-
<b>Councillors</b>					
Scott Carle	Convener, Grampian Joint Fire and Rescue Board (until 31 March 2013)	4,627	-	-	-
Wendy Stuart	Vice-Convener, Grampian Joint Fire and Rescue Board (until 3 May 2012)	366	-	-	(1)
Martin Greig	Convener, Grampian Joint Police Board (until 3 May 2012)	449	-	-	(1)
<b>Total</b>		<b>87,762</b>	<b>87,900</b>	<b>45</b>	<b>(3)</b>
				<b>23</b>	<b>(19)</b>

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment.

Table 8: Pension Benefits – Senior Employees

Name	Post Title	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		For year to 31 March 2013 £	For year to 31 March 2014 £		As at 31 March 2014 £'000	Difference from 31 March 2013 £'000
Valerie Watts	Chief Executive	28,859	27,648	Pension	82	3
Gayle Gorman	Director of Education Culture and Sport	5,227	21,409	Pension	2	2
Patricia Cassidy	Acting Director of Education Culture and Sport (from 16 April until 17 June 2012 and 12 November until 31 December 2012)	6,514	-	Pension	-	(12)
David Leng	Acting Director of Education Culture and Sport (from 13 February until 15 April 2012 and 1 October until 11 November 2012)	3,489	-	Lump Sum	-	(17)
Charles Penman	Acting Director of Education Culture and Sport (from 18 June until 30 September 2012)	6,066	-	Lump Sum	-	(15)
Annette Bruton	Director of Education Culture and Sport (until 12 February 2012)	450	-	Pension	-	(28)
Angela Scott	Director of Corporate Governance (from 20 November 2013)	-	7,742	Pension	1	1
Paul Fleming	Acting Director of Corporate Governance (from 16 September 2013 until 1 November 2013)	-	2,735	Pension	5	2
Ewan Sutherland	Acting Director of Corporate Governance (from 29 July 2013 until 15 September 2013)	-	2,677	Pension	31	3
Stewart Carruth	Director of Corporate Governance (until 2 August 2013)	21,714	7,273	Lump Sum	74	4
Pete Leonard	Director of Housing and Environment	21,714	21,409	Pension	7	-
Elizabeth Taylor	Director of Social Care and Wellbeing (from 1 October 2013)	-	10,696	Pension	33	2
Fred McBride	Director of Social Care and Wellbeing (until 30 September 2013)	21,714	10,062	Lump Sum	71	1
Gordon McIntosh	Director of Enterprise Planning and Infrastructure	21,714	21,409	Pension	40	9
Steven Whyte	Head of Finance (s.95 Officer) (from 27 January 2014) Acting Head of Finance (s.95 Officer) (from 22 May 2013 until 26 January 2013)	-	13,509	Lump Sum	97	18
Barry Jenkins	Head of Finance (s.95 Officer) (until 31 August 2013)	15,936	6,547	Pension	37	1
Jane MacEachran	Head of Legal and Democratic Services (Monitoring Officer) Acting Director of Corporate Governance (from 4 November 2013 until 19 November 2013)	15,936	15,943	Lump Sum	86	-
Ciaran Monaghan	Head of Service, Office of Chief Executive	15,256	15,042	Pension	43	2
<b>Total</b>		<b>184,589</b>	<b>184,101</b>	Lump Sum	102	1
				Pension	19	7
				Lump Sum	38	11
				Pension	30	-
				Lump Sum	34	2
				Pension	82	2
				Lump Sum	31	1
				Pension	75	1
				Lump Sum	395	(6)
				Pension	625	(31)

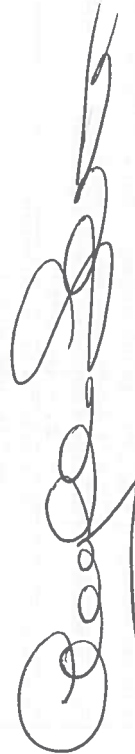
The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment. This may be enhanced in some cases where the employee has transferred in a previous pension from another pension scheme.

**Table 9: Pension Benefits -- the Council's Subsidiary Bodies**

Name	Post Title	In-year Pension Contributions		Accrued Pension Benefits		
		For year to 31 March 2013 £	For year to 31 March 2014 £	As at 31 March 2014 £'000	Difference from 31 March 2013 £'000	Notes
Brian Horsburgh	Managing Director, Aberdeen Exhibition & Conference Centre Ltd	32,298	30,254	n/a	n/a	1
Alistair Robertson	Managing Director, Sport Aberdeen Ltd	10,453	10,426	37	1	2
Sandra Ross	Managing Director, Bon Accord Support Services Ltd	-	8,061	1	1	
<b>Total</b>		<b>42,751</b>	<b>48,741</b>	<b>38</b>	<b>2</b>	

Note 1: Aberdeen Exhibition & Conference Centre Ltd contributes towards a money purchase pension scheme for Mr Horsburgh and therefore all the benefits that may become payable are retirement benefits, the rate and amount of which is calculated by reference to the payments made by the person (or on behalf of the person) and which are not average salary benefits. As a result no accrued pension benefits are shown.

Note 2: Service transferred in from Merseyside Pension Fund.



Angela Scott  
Chief Executive

30 September 2014



Councillor Jennifer Laing  
Leader of the Council

## Movement in Reserves Statement

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Statutory and Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 1 April 2012</b>	<b>(11,290)</b>	<b>(20,083)</b>	<b>(4,258)</b>	<b>(2,745)</b>	<b>(21,835)</b>	<b>-</b>	<b>(97)</b>	<b>(60,308)</b>	<b>(1,100,649)</b>	<b>(1,160,957)</b>
<b>Movement in Reserves during 2012/13</b>										
(Surplus) or deficit on provision of services*	29,501	0	20,740	0	0	0	0	50,241	0	50,241
Other Comprehensive Income and Expenditure *	0	0	0	0	0	0	0	0	32,992	32,992
<b>Total Comprehensive Income and Expenditure</b>	<b>29,501</b>	<b>0</b>	<b>20,740</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50,241</b>	<b>32,992</b>	<b>83,233</b>
Adjustments between accounting basis & funding basis under regulations (note 5)	(69,865)	0	(22,154)	0	(6,700)	0	0	(98,719)	98,719	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(40,364)</b>	<b>0</b>	<b>(1,414)</b>	<b>0</b>	<b>(6,700)</b>	<b>0</b>	<b>0</b>	<b>(48,478)</b>	<b>131,711</b>	<b>83,233</b>
Transfers to/from Earmarked Reserves (note 6)	40,363	(17,855)	(307)	314	(22,515)	0	0	0	0	0
<b>(Increase)/Decrease in 2012/13</b>	<b>(1)</b>	<b>(17,855)</b>	<b>(1,721)</b>	<b>314</b>	<b>(29,215)</b>	<b>0</b>	<b>0</b>	<b>(48,478)</b>	<b>131,711</b>	<b>83,233</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>(11,291)</b>	<b>(37,938)</b>	<b>(5,979)</b>	<b>(2,431)</b>	<b>(51,050)</b>	<b>0</b>	<b>(97)</b>	<b>(108,786)</b>	<b>(968,938)</b>	<b>(1,077,724)</b>

\* figures have been restated for the changes to the requirements of IAS 19, Employee Benefits

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Statutory and Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2013 brought forward</b>	<b>(11,291)</b>	<b>(37,938)</b>	<b>(5,979)</b>	<b>(2,431)</b>	<b>(51,050)</b>	<b>-</b>	<b>(97)</b>	<b>(108,786)</b>	<b>(968,938)</b>	<b>(1,077,724)</b>
<b>Movement in Reserves during 2013/14</b>										
(Surplus) or deficit on provision of services	1,252	0	20,613	0	0	0	0	21,865	0	21,865
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(109,062)	(109,062)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,252</b>	<b>0</b>	<b>20,613</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,865</b>	<b>(109,062)</b>	<b>(87,197)</b>
Adjustments between accounting basis & funding basis under regulations (note 5)	(16,112)	0	(21,609)	0	7,812	0	0	(29,909)	29,909	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(14,860)</b>	<b>0</b>	<b>(996)</b>	<b>0</b>	<b>7,812</b>	<b>0</b>	<b>0</b>	<b>(8,044)</b>	<b>(79,153)</b>	<b>(87,197)</b>
Transfers to/from Earmarked Reserves (note 6)	14,860	(7,918)	261	(249)	(6,954)	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>0</b>	<b>(7,918)</b>	<b>(735)</b>	<b>(249)</b>	<b>858</b>	<b>0</b>	<b>0</b>	<b>(8,044)</b>	<b>(79,153)</b>	<b>(87,197)</b>
<b>Balance at 31 March 2014</b>	<b>(11,291)</b>	<b>(45,856)</b>	<b>(6,714)</b>	<b>(2,680)</b>	<b>(50,192)</b>	<b>0</b>	<b>(97)</b>	<b>(116,830)</b>	<b>(1,048,091)</b>	<b>(1,164,921)</b>



## Comprehensive Income and Expenditure Statement

		2012/13 *		2013/14		Net
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Expenditure	Expenditure
£'000	£'000	£'000	£'000	£'000	£'000	£'000
4,782	(3,016)	1,766	5,397	(2,994)	2,403	
38,828	(4,412)	34,416	41,518	(7,672)	33,846	
222,888	(8,130)	214,758	183,269	(11,265)	172,004	
35,001	(7,159)	27,842	39,374	(9,226)	30,148	
157,877	(140,710)	17,167	169,315	(148,440)	20,875	
13,611	(5,079)	8,532	15,623	(6,803)	8,820	
29,680	(13,053)	16,627	32,850	(14,144)	18,706	
172,472	(36,182)	136,290	172,350	(37,914)	134,436	
6,679	(355)	6,324	7,207	(549)	6,658	
6,400	0	6,400	7,946	151	8,097	
29,705	0	29,705	1,463	0	1,463	
<b>717,923</b>	<b>(218,096)</b>	<b>499,827</b>	<b>676,312</b>	<b>(238,856)</b>	<b>437,456</b>	
0	(4,281)	(4,281)	0	(2,695)	(2,695)	
74,587	(42,534)	32,053	79,241	(47,964)	31,277	
0	(477,355)	(477,355)	0	(444,174)	(444,174)	
<b>792,510</b>	<b>(742,266)</b>	<b>50,244</b>	<b>755,553</b>	<b>(733,689)</b>	<b>21,864</b>	
		5,309			(17,245)	
		0			0	
		213			62	
		27,470			(91,880)	
		<b>32,992</b>			<b>(109,063)</b>	
		<b>83,236</b>			<b>(87,199)</b>	

\* 2012/13 figures have been restated for the changes to the requirements of IAS 19, Employee Benefits

## Balance Sheet

1 April 2012 £'000	31 March 2013 £'000		Note	31 March 2014 £'000
1,896,040	1,796,422	Property, Plant & Equipment	30	1,790,107
148,188	150,715	Heritage Assets	29	151,881
84,176	83,288	Investment Property	27	84,771
639	388	Intangible Assets	28	180
11,111	10,897	Long Term Investments	40	10,835
4,506	9,416	Long Term Debtors	40	13,870
<b>2,144,660</b>	<b>2,051,126</b>	<b>Long Term Assets</b>		<b>2,051,644</b>
28,316	36,445	Cash and Cash Equivalents	16	18,047
20,222	20,341	Short Term Investments	40	25,234
45,772	65,242	Short Term Debtors	35	57,313
2,163	1,654	Inventories	34	1,507
5,831	5,731	Assets Held for Sale	33	2,206
<b>102,304</b>	<b>129,413</b>	<b>Current Assets</b>		<b>104,307</b>
(130,625)	(121,660)	Short Term Borrowing	40	(117,608)
(68,969)	(65,355)	Short Term Creditors	36	(59,533)
(5,635)	(2,928)	Short Term Provisions	37	(5,899)
(2,587)	(2,728)	PPP Short Term Liabilities	32	(2,488)
(8,496)	(8,683)	Accumulated Absences Account	12	(8,009)
(1,030)	(1,054)	Grants Receipts in Advance - Revenue	39	(1,540)
(103)	(1,902)	Grants Receipts in Advance - Capital	39	(4,836)
<b>(217,445)</b>	<b>(204,310)</b>	<b>Current Liabilities</b>		<b>(199,913)</b>

1 April 2012 £'000	31 March 2013 £'000		Note	31 March 2014 £'000
(468,063)	(460,777)	Long Term Borrowing	40	(435,168)
(192)	(59)	Long Term Creditors	40	0
(3,261)	(5,511)	Long Term Provisions	37	(3,584)
(112,958)	(110,230)	PPP Long Term Liabilities	32	(107,836)
(284,098)	(321,928)	Pension Liabilities	22	(244,529)
<b>(868,572)</b>	<b>(898,505)</b>	<b>Long Term Liabilities</b>		<b>(791,117)</b>
<b>1,160,957</b>	<b>1,077,724</b>	<b>Net Assets</b>		<b>1,164,921</b>
		Usable Reserves:	11	
(31,373)	(49,229)	General Fund Balance		(57,147)
(7,003)	(8,410)	Housing Revenue Account		(9,394)
(21,835)	(51,050)	Statutory and Other Reserves		(50,192)
0	0	Capital Receipts Reserve		0
(97)	(97)	Capital Grants Unapplied Account		(97)
(1,100,649)	(968,938)	Unusable Reserves	12	(1,048,091)
<b>(1,160,957)</b>	<b>(1,077,724)</b>	<b>Total Reserves</b>		<b>(1,164,921)</b>



Steven Whyte, CPFA  
Head of Finance

30 September 2014

The unaudited accounts were issued on 26 June 2014 and the audited accounts were authorised for issue on 30 September 2014.

## Cash Flow Statement

2012/13 £'000		2013/14 £'000
(50,244)	* Net Surplus or (Deficit) on the provision of services	(21,865)
138,311	* Adjust net surplus or deficit on the provision of services for non cash movements	118,601
(31,136)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(35,322)
56,931	Net cash flows from Operating Activities (note 13)	61,414
(30,078)	Net cash flows from Investing Activities (note 14)	(47,264)
(18,724)	Net cash flows from Financing Activities (note 15)	(32,548)
8,129	Net increase or decrease in cash and cash equivalents	(18,398)
28,316	Cash and cash equivalents at the beginning of the reporting period	36,445
<b>36,445</b>	<b>Cash and cash equivalents at the end of the reporting period (note 16)</b>	<b>18,047</b>

\* 2012/13 figures have been restated for the changes to the requirements of IAS 19, Employee Benefits

## Notes to the Accounts

### 1. Accounting Policies

#### i General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year ending 31 March 2014. The Council is required to prepare an annual Statement of Accounts under the Local Authority Accounts (Scotland) Regulations 1985 and section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

#### ii Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council is acting as an agent for another party (e.g. in the collection of National Non Domestic Rates and Water Charges), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

**iii Carbon Reduction Commitment Allowances**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which lasts until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

**iv Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand as they form an integral part of the Council's cash management.

**v Charges to Revenue for Non Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the relevant service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, or loans fund principal charges). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by loans fund principal charges in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi **Employee Benefits**

Benefits Payable during Employment

Short term employee benefits (those that fall due wholly within 12 months of the year end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year, being the period in which the employee takes the benefit. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council can be members of two separate pension schemes:

- the Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency on behalf of the Scottish Government; and
- the Local Government Pension Scheme (referred to as NESPF), administered by Aberdeen City Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education Service line in the Comprehensive Income and Expenditure Statements is charged with the employer's contributions payable to Teachers' Pensions in the year.

*The Local Government Pension Scheme*

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.4%.
- The assets of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unutilised securities – current bid price; and
  - property – market value.
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs; and
    - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Remeasurements comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure Statement;
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and



- o contributions paid to the North East Scotland Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

#### *Discretionary Benefits*

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **vii Events After the Reporting Period**

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **viii Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council has provided a number of financial guarantees which are reflected as a contingent liability and disclosed as a note to the Financial Statements. A suitable value is earmarked from the General Fund Balance to provide financial backing in the event of there being a call on these guarantees.

## ix Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest – except for the Council's Small Business Loan Scheme) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

### Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis; and
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available for Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

**x Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**xi Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

xii

**Heritage Assets**

The Council's Heritage Assets are held primarily in the City's Art Gallery and Museums. There are eight collections of heritage assets which are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the local area and its history. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's collections of heritage assets are accounted for as follows:

- **Fine Art & Applied Art Collection**

The Art collection includes paintings (both oil and watercolour), installations and sculptures, decorative and applied art including silver, ceramics and glass etc and is reported in the Balance Sheet at market value. There is no periodic programme of valuations although items in the collection are prompted for revaluation when they are loaned to exhibitions or if a similar item is sold at auction. The Council's Art Gallery and Museums' curators value the items and base this on commercial market values. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation as provided by the Curators with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

- **Civic Insignia**

The collection of Civic Insignia includes items utilised by the Lord and Lady Provost in their official capacity. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an ad hoc basis. The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the Art Gallery and Museum's curators in accordance with the Council's policy on valuations of Civic Insignia. Subsequent measurement is based on insurance valuation performed in line with the Council's Policy.

- **Archaeology**

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet. The Council's acquisitions are well focused with the aim of reflecting the extraordinarily rich archaeological heritage of Aberdeen and the North East of Scotland. Future collecting will largely be due to continued excavation in Aberdeen City. The Council does not (normally) make any purchases of archaeological items.

- **Library and Information Services**

The collection of reference items which could be deemed to be held and maintained principally for their contribution to knowledge and culture include historical book collections, directories and local newspaper archives. The collection is not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £500 and as far as the Council is aware no individual item is worth more than £2,000.

#### • Other Heritage Assets

Collections outwith those stated above are reported in the Balance Sheet at market value where possible as determined by the curator. This includes city monuments, maritime & social history, numismatics and science technology & industry. Acquisitions are rare and most additions are due to donations which are accepted provided suitable storage is available. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the museum's curators in accordance with the Council's policy on valuations of heritage assets.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note xxi in this summary of significant accounting policies. Disposal of heritage assets is carried out occasionally following the procedures outlined in the Acquisition and Disposal Policy, approved by the Education Culture and Sport committee on 16 October 2010. The Policy also sets out that disposals of assets in the collections are the responsibility of the governing body of the museum acting on the advice of professional curatorial staff and will only be disposed of after considering the public interest and implication for the museum's collections. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes xxi in this summary of significant accounting policies).

xiii

#### Intangible Assets

Expenditure on non monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

**xiv Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at net worth.

**xv Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value except for the inventories held by Building Services and Roads Services which are valued at latest price and average price respectively. The difference between these valuations and the lower of cost or net realisable value is not material.

Work in progress is subject to an interim valuation at the year end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

**xvi Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

**xvii Jointly Controlled Operations**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

**xiii Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

*Finance Leases*

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

*Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment.

The Council as Lessor

*Operating Leases*

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

**xix Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Expenditure on Continuing Services.

**xx Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

**xxi Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others of for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. For the purposes of component accounting, in line with the methodology of Social Housing, additions to Council Dwellings will be discounted at an appropriate rate. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.



### Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located where there is a legal obligation.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and vehicles, plant and equipment – depreciated historical cost;
- community assets – historical cost or nominal value;
- council dwellings – fair value, determined using the basis of existing use value for social housing (EUJ-SH);
- specialised properties – depreciated replacement cost (DRC); and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUJ).

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised in the Comprehensive Income and Expenditure Statement only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund in the Movement in Reserves Statement.

**Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is not applied to an asset in the year of acquisition nor to expenditure on assets under construction. Assets that are disposed of are fully depreciated in the year of disposal.

Depreciation is calculated on the following bases:

- council dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer, and
- infrastructure and vehicles, plant and equipment – straight-line allocation over the useful life as estimated by management.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**xxii Public Private Partnerships (PPP) and Similar Contracts**

PPP and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PPP contractor. As the Council is deemed to control the services that are provided under its PPP schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

PPP non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PPP operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PPP operator (the profile of write downs is calculated using the same principles as for a finance lease); and
- lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

**xxiii Provisions, Contingent Liabilities and Contingent Assets**

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be exposed to liabilities from court cases that could eventually result in the making of a settlement or the payment of compensation, e.g. equal pay claims, or consider that over time the collection of income will become more difficult and thereby fail to secure the full value of the debt, or may have made a decision in relation to changes in service delivery from which costs arise, e.g. redundancy costs.

Estimation techniques are based on previous experience, prevailing economic conditions, aged analysis, expert and specialist advice and current data held by the Council.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**xxiv Reserves**

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments and retirement benefits that do not represent usable resources for the Council – these reserves are explained in the relevant policies.

**xxv Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but do not result in the creation of a non current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

The Council has in the past taken advantage of 'Consent to Borrow' given by Scottish Ministers under Para1(2) of Schedule 3 of the Local Government (Scotland) Act 1975 to cover equal pay and statutory redundancy costs up to strictly defined limits. The repayment period is 10 years.

**xxvi VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2014/15 Code:

- IFRS 10 Consolidated Financial Statements (May 2011);
- IFRS 11 Joint Arrangements (May 2011);
- IFRS 12 Disclosure of Interests in Other Entities (May 2011);
- IAS 27 Separate Financial Statements (as amended in May 2011);
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011);
- IAS 32 Financial Instruments: Presentation (as amended in December 2011); and
- Annual Improvements to IFRS 2009-2011 Cycle.

The Code requires implementation from 1 April 2014 and there is therefore no impact on the 2013/14 financial statements.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 relate specifically to the group accounts. These new or amended standards include a change to the definition of control and will require consideration of joint arrangements, a reassessment of the group boundary and potentially further disclosure. IAS 32 outlines disclosure requirements in respect of offsetting financial assets and liabilities. IFRS improvements are generally minor, principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the financial statements.

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision;
- The Council is deemed to control the services provided under the Public Private Partnership arrangements that it has for the 3R's (Reorganise, Renovate, Rebuild) schools project and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP schemes and similar contracts have been applied to the arrangement and the schools (valued at £140.3 million) are recognised as Property, Plant and Equipment on the Council's Balance Sheet; and
- Due to the uncertainty surrounding the Business Rates Incentivisation Scheme (BRIS) introduced by the Scottish Government in 2012/13, it has been assumed that no excess income resulting from the scheme will be retained by the Council for the financial year 2013/14.

### 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates made.

The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council were to reduce its spending on repairs and maintenance it could bring into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that for a building worth £30 million with a useful life of 35 years, the annual depreciation charge would increase by £25,210 if the useful life had to be reduced by one year.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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Service Concession Arrangement (PPP)	<p>The council has a contract with an operator to provide ten schools. The contract regulates price revisions over the period of the service arrangement. Fees are adjusted by an indexation factor each year which is based on RPI plus the Bank of England base rate.</p>	<p>The indexation adjustment is applied to approximately 47% of the Unitary Charge (UC) and 100% of the monthly Service Fee (SF). If RPI were to increase by 1% and the base rate was 1% rather than 0.5%, the UC and SF would increase by £8,373.95 and £4,047.46 per month respectively.</p>
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Provisions	<p>The Council has made a provision of £2.24 million for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.</p>	<p>An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.224 million the provision needed.</p>
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Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £19.5 million. However, if another assumption were increased, e.g. pay inflation, by 0.1% then this would result in an increase in the pension liability of £19.9 million. The interaction of assumptions is therefore extremely complex. See note 22 for further assumptions.</p>
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Arrears	<p>At 31 March 2014 the Council had a balance of short term debtors of £108.173 million. A review of significant balances suggested that an allowance for impairment of debt of £50.860 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, an increase of 2% on impairment would require a further provision of £2.163 million.</p>
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This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

### 5. Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2012/13	Usable Reserves					Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000		
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation and impairment of non current assets	(39,582)	(27,661)	0	0	0	0	67,243
Revaluation losses on Property, Plant and Equipment	(58,386)	(22,507)	0	0	0	0	80,893
Capital grants and contributions applied	17,302	848	0	0	0	0	(18,150)
Write off carrying amount of non current assets sold	(4,228)	(4,477)	0	0	0	0	8,705
Write off carrying amount of non current assets scrapped	(234)	0	0	0	0	0	234
Statutory provision for the financing of Capital spend (3R's)	2,587	0	0	0	0	0	(2,587)
Movement in the fair value of Investment Properties	2,962	0	0	0	0	0	(2,962)
Amortisation of Intangible Assets	(250)	0	0	0	0	0	250
Income in relation to donated assets	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0	0	0	0
Transfer grants/contributions on impaired spend	0	0	0	0	0	0	0
Grants relating to assets disposed of during the year	0	0	0	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Loan principal repayments during the year	11,863	4,530	0	0	0	0	(16,393)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	850	21,504	350	0	0	0	(22,704)
<b>Adjustments involving the Capital Receipts Reserve:</b>							
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(7,052)	12,987	0	0	(5,935)
Proceeds from sale of non current assets	7,405	6,109	0	(13,514)	0	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset disposals	(301)	(226)	0	527	0	0	0
<b>Adjustments involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	0	0	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	421	0	0	0	0	0	(421)
<b>Adjustments involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(25,876)	(1,749)	0	0	0	0	27,625
Employer's pensions contributions and direct payments to pensioners payable in the year	25,134	1,475	0	0	0	0	(26,609)
<b>Adjustments involving the Accumulated Absences Account:</b>							
Adjustments in relation to short term compensated absences	(188)	0	0	0	0	0	188
<b>Total Adjustments</b>	<b>(60,521)</b>	<b>(22,154)</b>	<b>(6,702)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>89,377</b>



2013/14	Usable Reserves							Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000			
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement								
Charges for depreciation and impairment of non current assets	(40,083)	(29,252)	0	0	0	0	0	69,335
Revaluation losses on Property, Plant and Equipment	(1,017)	(23,587)	0	0	0	0	0	24,604
Capital grants and contributions applied	20,243	2,520	0	0	0	0	0	(22,763)
Write off carrying amount of non current assets sold	(4,571)	(5,293)	0	0	0	0	0	9,864
Write off carrying amount of non current assets scrapped	(473)	(30)	0	0	0	0	0	503
Statutory provision for the financing of Capital spend (3R's)	2,728	0	0	0	0	0	0	(2,728)
Movement in the fair value of Investment Properties	2,081	0	0	0	0	0	0	(2,081)
Amortisation of Intangible Assets	(208)	0	0	0	0	0	0	208
Income in relation to donated assets	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	0	0	0	0	0	0	0	0
Transfer grants/contributions on impaired spend	0	0	0	0	0	0	0	0
Grants relating to assets disposed of during the year	0	0	0	0	0	0	0	0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>								
Loan principal repayments during the year	12,429	4,580	0	0	0	0	0	(17,009)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	462	22,575	12,430	0	0	0	0	(35,467)
<b>Adjustments involving the Capital Receipts Reserve:</b>								
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(4,618)	12,559	0	0	0	(7,941)
Proceeds from sale of non current assets	5,110	7,871	0	(12,981)	0	0	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset disposals	(236)	(186)	0	422	0	0	0	0
<b>Adjustments involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the CAA	0	0	0	0	0	0	0	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>								
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	422	0	0	0	0	0	0	(422)
<b>Adjustments involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the CIES	(40,369)	(2,398)	0	0	0	0	0	42,767
Employer's pensions contributions and direct payments to pensioners payable in the year	26,696	1,590	0	0	0	0	0	(28,286)
<b>Adjustments involving the Accumulated Absences Account:</b>								
Adjustments in relation to short term compensated absences	674	1	0	0	0	0	0	(675)
<b>Total Adjustments</b>	<b>(16,112)</b>	<b>(21,609)</b>	<b>7,812</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,909</b>

### 6. Movement in Reserves Statement – Transfers to/from Earmarked Reserves and Other Statutory Funds

Earmarked Reserves: This note sets out the amounts set aside from the General Fund and HRA balances as earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet future General Fund and HRA expenditure.

	Balance at 1 April 2012 £'000	Transfers in 2012/13 £'000	Transfers Out 2012/13 £'000	Balance at 31 March 2013 £'000	Transfers in 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March 2014 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
Strategic Infrastructure Plan	0	0	0	0	(334)	33	(301)	Continued investment towards the delivery of the plan
ICT Projects	(965)	(685)	0	(1,650)	(719)	472	(1,897)	Implement various approved ICT projects
Star Awards Sponsorship	0	(30)	0	(30)	(12)	16	(26)	Through procurement team, rebates paid by suppliers for sales volumes. Agreed that this funding would be used to fund the Star Awards, which take place each year
Business Plan Service Option	(4,164)	(452)	854	(3,762)	0	826	(2,936)	Continued investment regarding delivery of 5 year business plan
Shopmobility	0	0	0	0	(91)	0	(91)	Unspent funding to be utilised on the development of the scheme
Fairer Aberdeen	0	0	0	0	(36)	0	(36)	Unspent funding to be utilised for Community Planning Aberdeen
Queens Links Reinstatement Fund	(102)	0	0	(102)	0	0	(102)	Historic fund in relation to potential reinstatement work at beach
Energy Efficiency Fund	(277)	(670)	277	(670)	(7)	(433)	(1,110)	Pump-prime funding for energy saving schemes
Road Repairs/Projects	(129)	0	0	(129)	(562)	129	(562)	Road repair and maintenance sum approved by Finance, Policy & Resources Committee May 2014
"The Green" Townscape Project	(507)	0	181	(326)	0	276	(50)	Match funding in relation to the Heritage Lottery Funding awarded for works at "the Green"
City Development Company	(1,345)	0	0	(1,345)	0	0	(1,345)	Funding for the City Development Company
Windfarm setup	(100)	0	0	(100)	0	0	(100)	Professional fees for legal advice, business case consultancy and client advisor services
City Centre Regeneration	(300)	0	0	(300)	0	0	(300)	Funding to support the city centre regeneration scheme
Bus Lane Enforcement	0	0	0	0	(896)		(896)	As required by the relevant legislation, net income from Bus Lane Enforcement to facilitate the objective's of the Local Transport Strategy
Social Care & Wellbeing Projects	(371)		137	(234)		214	(20)	Balance of OT store funding
Local Autism Action Plan	0	(35)	0	(35)	0	0	(35)	Production of plan for which funding provided through revenue grant determination
<b>Sub Total</b>	<b>(8,260)</b>	<b>(1,872)</b>	<b>1,449</b>	<b>(8,683)</b>	<b>(2,657)</b>	<b>1,533</b>	<b>(9,807)</b>	

	Balance at 1 April 2012 £'000	Transfers in 2012/13 £'000	Transfers Out 2012/13 £'000	Balance at 31 March 2013 £'000	Transfers In 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March 2014 £'000	Purpose of the Earmarked Reserve
<b>General Fund cont'd:</b>								
Reclaiming Social Work	(8,260)	(1,872)	1,449	(8,683)	(2,657)	1,533	(9,807)	Contribution towards project costs, as agreed at Social Care & Wellbeing Committee Sept 2013
Zero Waste Fund	(734)	0	384	(350)	0	0	(350)	Unspent money from Zero Waste Fund monies
Mobile Working	(85)	(80)	12	(153)	0	0	(153)	Implement mobile working for field staff in Trading Standards/Environmental Health
Waste Strategy	(75)	0	0	(75)	0	0	(75)	Reviewing existing waste strategy
Mortuary Fridges	0	(47)	0	(47)	0	47	0	Provision of additional fridges for the Mortuary
Windmill Brae	0	(10)	0	(10)	0	10	0	Provision of lighting at Windmill Brae to match external funding received
Second / Long Term Empty Homes	0	(2,921)	0	(2,921)	(1,324)	0	(4,245)	Additional income generated by reducing the discounts which is to be used towards funding affordable housing
Environmental Improvements	0	0	0	0	(400)	0	(400)	To be utilised for Aberdeen's Greenspace Strategy and In Bloom agenda, as agreed at Housing & Environment Committee March 2014
Replacement of Handheld Devices	0	0	0	0	(148)	0	(148)	To fund the replacement of devices used by Trade Operatives, as agreed at Housing & Environment Committee March 2014
Devolved Education Management	(4,700)	0	700	(4,000)	(16)	628	(3,388)	School funds c/forward £1.816 m; and Community Education Centres £1.572 m
City of Culture	(557)	(35)	0	(592)	0	0	(592)	To develop culture within the city
Property Improvements	0	(260)	0	(260)	(165)	140	(285)	Carry out improvement works to Tullos Pool and Rosemount & Loirston Community Facilities as agreed at Education Culture and Sport Committee March 2013
Music Hall Redevelopment	0	0	0	0	(1,000)	0	(1,000)	To contribute towards the redevelopment of the Music Hall, as approved by Council June 2013
De-risk the Council	(2,843)	(4,489)	1,570	(5,762)	0	0	(5,762)	Cash backing for Council guarantees to external organisations
Welfare Reform	0	(2,000)	0	(2,000)	0	0	(2,000)	Recognised priority of the Council and additional risk associated with being uncertain about the full financial impact on the Council
Financial Risk Fund	0	(5,541)	0	(5,541)	0	0	(5,541)	As agreed at Finance and Resources Committee October 2012, to provide funding to support the cost pressure risks associated with Priority Based Budgeting
Police and Fire Amounts Repaid	0	(5,242)	0	(5,242)	0	5,242	0	Reserves of the local Police and Fire bodies initially repayable to the Council but primarily earmarked for transfer to the Scottish Government
<b>Sub Total</b>	<b>(17,254)</b>	<b>(22,497)</b>	<b>4,115</b>	<b>(35,636)</b>	<b>(6,081)</b>	<b>7,600</b>	<b>(34,117)</b>	



2012/13	General Fund £'000	HRA £'000	2013/14	General Fund £'000	HRA £'000
Total Transfers in during the year	(22,497)	(2,108)	Total Transfers in during the year	(16,298)	(1,865)
Total Transfers out during the year	4,642	2,422	Total Transfers out during the year	8,380	1,617
<b>Net Movement in Earmarked Reserves in 2012/13</b>	<b>(17,855)</b>	<b>314</b>	<b>Net Movement in Earmarked Reserves in 2013/14</b>	<b>(7,918)</b>	<b>(248)</b>

Other Statutory Funds: The Council holds a number of other statutory funds. This note sets out the amounts held and a summary of transactions undertaken in the financial year.

Name of Fund	Balance at 1 April 2012 £'000	Transfers in 2012/13 £'000	Transfers Out 2012/13 £'000	Balance at 31 March 2013 £'000	Transfers in 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March 2014 £'000	Purpose of the Earmarked Reserve
Capital	(19,892)	(29,406)	350	(48,948)	(11,131)	12,429	(47,650)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(1,605)	(237)	85	(1,757)	(1,629)	1,213	(2,173)	To meet the cost of uninsured claims
City Improvement	(333)	(9)	3	(339)	(24)	(1)	(364)	To meet the cost of carrying out improvements to the city as decided by the Council
Lord Byron	(5)	0	0	(5)	0	0	(5)	To meet the costs of maintaining Lord Byron's statue
<b>Total Statutory and Other Funds</b>	<b>(21,835)</b>	<b>(29,652)</b>	<b>438</b>	<b>(51,049)</b>	<b>(12,784)</b>	<b>13,641</b>	<b>(50,192)</b>	

7. **Comprehensive Income and Expenditure Statement – Other Operating Expenditure**

2012/13 £'000	2013/14 £'000
(4,281)	(2,695)
<b>(4,281)</b>	<b>(2,695)</b>

## 8. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2012/13 £'000		2013/14 £'000
33,737	Interest payable and similar charges	33,622
13,192	Pensions interest cost and expected return on pensions assets	12,785
(746)	Interest receivable and similar income	(680)
(7,024)	Income and Expenditure in relation to investment properties and changes in their fair value	(6,476)
(7,106)	Other Investment income	(7,974)
<b>32,053</b>	<b>Total</b>	<b>31,277</b>

## 9. Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income

2012/13 £'000		2013/14 £'000
(109,704)	Council Tax Income	(102,749)
(167,277)	Non domestic rates *	(176,952)
(180,029)	Non ring-fenced government grants	(141,710)
(20,345)	Capital grants and contributions	(22,763)
<b>(477,355)</b>	<b>Total</b>	<b>(444,174)</b>

\* The 2013/14 figures reflect that no excess has been retained by the Council in relation to exceeding the Business Rates Incentivisation Scheme (BRIS) revised target.

## 10. Comprehensive Income and Expenditure Statement – Material Items of Income and Expense

During 2013/14, a number of contributions from Council Services, totalling £6.1 million were made to the Capital Fund to capture funding for future capital investment.

## 11. Balance Sheet – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 5 and 6.

## 12. Balance Sheet – Unusable Reserves

31 March 2013 £'000	31 March 2014 £'000
(596,135)	(601,744)
(600)	(538)
(720,394)	(715,505)
17,580	17,158
321,928	244,529
8,683	8,009
<b>(968,938)</b>	<b>(1,048,091)</b>

Revaluation Reserve

The Revaluation Reserve contains the gains/losses made by the Council arising from increases/decreases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13		2013/14	
£'000	£'000	£'000	£'000
(51,094)	<b>(614,405)</b>		<b>(596,135)</b>
		(20,793)	
56,403		3,548	
			(17,245)
11,779	5,309	11,248	
1,182		738	
	12,961		11,986
	0		(350)
	<b>(596,135)</b>		<b>(601,744)</b>

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost; or
- disposed of and the gains are realised.

2012/13		2013/14	
£'000	£'000	£'000	£'000
	(814)		(600)
0		0	
214		62	
	214		62
	0		0
	(600)		(538)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.



		2013/14	
		£'000	£'000
<b>2012/13</b>			
<b>£'000</b>			<b>£'000</b>
<b>(796,026)</b>	<b>Balance at 1 April</b>		<b>(720,394)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
67,243	Charges for depreciation and impairment on non current assets	69,335	
80,884	Revaluation losses on Property, Plant and Equipment	24,603	
250	Amortisation of intangible assets	208	
0	Revenue expenditure funded from capital under statute	0	
234	Carrying amount of non current assets scrapped	504	
8,705	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,864	
157,316		104,514	
(12,960)	Adjusting amounts written out of the Revaluation Reserve	(11,637)	
144,356	Net written out amount of the cost of non current assets consumed in the year		92,877
	Capital financing applied in the year:		
(5,936)	Use of the Capital Receipts Reserve to finance new capital expenditure	(7,941)	
(350)	Use of the Capital Fund to finance new capital expenditure	(12,429)	
(18,150)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(22,763)	
(16,393)	Loans Fund principal repayments	(17,009)	
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0	
0	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	0	
(22,355)	Capital expenditure charged against the General Fund and HRA balances	(23,037)	
(2,587)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	(2,728)	
(65,771)			(85,907)
(2,962)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,081)	(2,081)
9	Movement in the market value of Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement	0	0
<b>(720,394)</b>	<b>Balance at 31 March</b>	<b>(2,081)</b>	<b>(715,505)</b>

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses this account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden to be met. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2014 will be charged to the General Fund over the next 46 years.

2012/13		2013/14	
£'000		£'000	£'000
18,002	<b>Balance at 1 April</b>		17,580
(25)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		
	Long Term Borrowing – Stepped Loans	(25)	
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	
(397)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(397)	
(422)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(422)
17,580	<b>Balance at 31 March</b>		17,158

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2012/13		2013/14
£'000		£'000
<b>284,098</b>	<b>Balance at 1 April</b>	<b>321,928</b>
36,814	Re-measurements of the net defined benefit liability/(asset)	(91,880)
27,625	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	42,767
(26,609)	Employer's pensions contributions and direct payments to pensioners payable in the year	(28,286)
<b>321,928</b>	<b>Balance at 31 March</b>	<b>244,529</b>

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2012/13		2013/14
£'000		£'000
<b>8,496</b>	<b>Balance at 1 April</b>	<b>8,683</b>
(8,496)	Settlement or cancellation of accrual made at the end of the preceding year	(8,683)
8,683	Amounts accrued at the end of the current year	8,009
187	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(674)
<b>8,683</b>	<b>Balance at 31 March</b>	<b>8,009</b>

## 13. Cash Flow Statement – Operating Activities

2012/13		2013/14
<b>£'000</b>		<b>£'000</b>
(50,244) *	Net surplus or (deficit) on the provision of services ^	(21,865)
<b>(50,244)</b>		<b>(21,865)</b>
	<b>Adjustment to surplus or deficit on the provision of services for noncash movements:</b>	
67,243	Depreciation	69,335
80,885	Impairment, downward revaluations & non sale derecognitions	24,603
509	(Increase)/Decrease in Stock	147
(24,631)	(Increase)/Decrease in Debtors	3,475
0	Increase/(Decrease) in impairment provision for bad debts	0
(1,838)	Increase/(Decrease) in Creditors	(3,751)
10,360 *	Payments to Pension fund	14,481
8,939	Carrying amount of non current assets sold	10,367
(453)	Contributions to Other Reserves/Provisions	1,817
0	Assets held for sale movement	0
0	Capital Grants unapplied transactions	0
250	Amortisation of Intangible Assets	208
(2,953)	Movement in value of investment properties	(2,081)
<b>138,311</b>		<b>118,601</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
0	Proceeds from short term and long term investments	0
(18,150)	Receipt of Capital Grants and Contributions	(22,763)
(12,986)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(12,559)
<b>(31,136)</b>		<b>(35,322)</b>
<b>56,931</b>	<b>Net cash flows from operating activities</b>	<b>61,414</b>

\*2012/13 figures have been restated for the changes to the requirements of IAS19, Employee Benefits.

^ includes the following:

2012/13		2013/14
<b>£'000</b>		<b>£'000</b>
746	Interest received	680
(33,737)	Interest paid	(33,622)

## 14. Cash Flow Statement – Investing Activities

2012/13	2013/14
£'000	£'000
(61,344)	(77,755)
130	(4,831)
0	0
13,513	12,981
(527)	(422)
0	0
18,150	22,763
0	0
<b>(30,078)</b>	<b>(47,264)</b>

## 15. Cash Flow Statement – Financing Activities

2012/13	2013/14
£'000	£'000
268	0
(24)	(25)
(2,717)	(2,862)
(16,251)	(29,661)
0	0
<b>(18,724)</b>	<b>(32,548)</b>

## 16. Cash Flow Statement – Cash and Cash Equivalents

31 March 2013	31 March 2014
£'000	£'000
38	42
36,407	18,005
0	0
<b>36,445</b>	<b>18,047</b>

### 17. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the SeRCOP. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Service portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on some support services is budgeted for centrally and not charged to portfolios.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

Portfolio Income and Expenditure 2012/13	Education Culture & Sport £'000	Social Care & Wellbeing £'000	Housing & Environment £'000	Enterprise, Planning & Infrastructure £'000	Corporate Governance £'000	Total £'000
Fees, charges and other service income	(6,817)	(31,468)	(25,047)	(26,154)	(8,161)	(97,647)
Government grants	(1,592)	(4,667)	(135)	(5,096)	(54,926)	(66,416)
<b>Total Income</b>	<b>(8,409)</b>	<b>(36,135)</b>	<b>(25,182)</b>	<b>(31,250)</b>	<b>(63,087)</b>	<b>(164,063)</b>
<b>Employee Expenses</b>	<b>111,907</b>	<b>52,084</b>	<b>23,518</b>	<b>27,128</b>	<b>21,999</b>	<b>236,636</b>
Other service expenses	55,905	103,845	34,362	43,108	65,644	302,864
Support service recharges	0	68	434	0	178	680
<b>Total Other Service Expenses</b>	<b>55,905</b>	<b>103,913</b>	<b>34,796</b>	<b>43,108</b>	<b>65,822</b>	<b>303,544</b>
<b>Total Expenditure</b>	<b>167,812</b>	<b>155,997</b>	<b>58,314</b>	<b>70,236</b>	<b>87,821</b>	<b>540,180</b>
<b>Net Expenditure</b>	<b>159,403</b>	<b>119,862</b>	<b>33,132</b>	<b>38,986</b>	<b>24,734</b>	<b>376,117</b>

Portfolio Income and Expenditure 2013/14	Education Culture & Sport £'000	Social Care & Wellbeing £'000	Housing & Environment £'000	Enterprise, Planning & Infrastructure £'000	Corporate Governance £'000	Total £'000
Fees, charges and other service income	(7,270)	(33,195)	(26,186)	(47,263)	(8,980)	(122,894)
Government grants	(1,499)	(4,536)	(1,107)	8,910	(53,387)	(51,619)
<b>Total Income</b>	<b>(8,769)</b>	<b>(37,731)</b>	<b>(27,293)</b>	<b>(38,353)</b>	<b>(62,367)</b>	<b>(174,513)</b>
<b>Employee Expenses</b>	<b>113,606</b>	<b>39,029</b>	<b>25,083</b>	<b>28,689</b>	<b>22,882</b>	<b>229,289</b>
Other service expenses	56,670	118,931	35,500	46,838	66,209	324,148
Support service recharges	0	24	430	9	217	680
<b>Total Other Service Expenses</b>	<b>56,670</b>	<b>118,955</b>	<b>35,930</b>	<b>46,847</b>	<b>66,426</b>	<b>324,828</b>
<b>Total Expenditure</b>	<b>170,276</b>	<b>157,984</b>	<b>61,013</b>	<b>75,536</b>	<b>89,308</b>	<b>554,117</b>
<b>Net Expenditure</b>	<b>161,507</b>	<b>120,253</b>	<b>33,720</b>	<b>37,183</b>	<b>26,941</b>	<b>379,604</b>

**Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Net expenditure in the Portfolio Analysis	2012/13 £'000	2013/14 £'000
Net expenditure of services and support services not included in the Analysis	376,117	379,604
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(392,330)	(388,372)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	154,326	105,918
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(87,869)</b>	<b>(75,286)</b>
Amounts relating to Subsidiaries, Associates and Joint Ventures	50,244	21,864
<b>Group (Surplus)/Deficit</b>	<b>754</b>	<b>28,127</b>
	<b>50,998</b>	<b>49,991</b>

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Portfolio Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to Management £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Corporate Amounts £'000	Cost of Services £'000	Group Amounts £'000	Total £'000
<b>2012/13 comparative figures</b>									
Fees, charges and other service income	(97,647)	(91,534)	(4,281)	0	(26,589)	0	(220,051)	0	(220,051)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	754	754
Interest and investment income	0	0	0	0	0	(746)	(746)	0	(746)
Income from council tax	0	0	0	0	0	(109,704)	(109,704)	0	(109,704)
Government grants and contributions	(66,416)	(224)	(18,150)	0	0	(347,346)	(432,136)	0	(432,136)
<b>Total Income</b>	<b>(164,063)</b>	<b>(91,758)</b>	<b>(22,431)</b>	<b>0</b>	<b>(26,589)</b>	<b>(457,796)</b>	<b>(762,637)</b>	<b>754</b>	<b>(761,883)</b>
Employee expenses	236,636	6,864	37,157	(26,609)	0	0	254,048	0	254,048
Other service expenses	302,864	140,147	(5,834)	(61,260)	0	0	375,917	0	375,917
Support Service recharges	680	10,027	0	0	26,589	0	37,296	0	37,296
Depreciation, amortisation and impairment	0	0	145,424	0	0	0	145,424	0	145,424
Interest Payments	0	186	10	0	0	0	196	0	196
<b>Total Expenditure</b>	<b>540,180</b>	<b>157,224</b>	<b>176,757</b>	<b>(87,869)</b>	<b>26,589</b>	<b>0</b>	<b>812,881</b>	<b>0</b>	<b>812,881</b>
<b>Surplus or deficit on the provision of services</b>	<b>376,117</b>	<b>65,466</b>	<b>154,326</b>	<b>(87,869)</b>	<b>0</b>	<b>(457,796)</b>	<b>50,244</b>	<b>754</b>	<b>50,998</b>
<b>2013/14</b>									
Fees, charges and other service income	(122,894)	(136,998)	(2,695)	0	(19,210)	0	(281,797)	0	(281,797)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	28,127	28,127
Interest and investment income	0	0	0	0	0	(680)	(680)	0	(680)
Income from council tax	0	0	0	0	0	(102,749)	(102,749)	0	(102,749)
Government grants and contributions	(51,619)	(122)	(22,763)	0	0	(318,662)	(393,166)	0	(393,166)
<b>Total Income</b>	<b>(174,513)</b>	<b>(137,120)</b>	<b>(25,458)</b>	<b>0</b>	<b>(19,210)</b>	<b>(422,091)</b>	<b>(778,392)</b>	<b>28,127</b>	<b>(750,265)</b>
Employee expenses	229,289	31,375	42,093	(28,286)	0	0	274,471	0	274,471
Other service expenses	324,148	126,459	(2,787)	(47,000)	0	0	400,820	0	400,820
Support Service recharges	680	12,839	0	0	19,210	0	32,729	0	32,729
Depreciation, amortisation and impairment	0	0	92,064	0	0	0	92,064	0	92,064
Interest Payments	0	166	6	0	0	0	172	0	172
<b>Total Expenditure</b>	<b>554,117</b>	<b>170,839</b>	<b>131,376</b>	<b>(75,286)</b>	<b>19,210</b>	<b>0</b>	<b>800,256</b>	<b>0</b>	<b>800,256</b>
<b>Surplus or deficit on the provision of services</b>	<b>379,604</b>	<b>33,719</b>	<b>105,918</b>	<b>(75,286)</b>	<b>0</b>	<b>(422,091)</b>	<b>21,864</b>	<b>28,127</b>	<b>49,991</b>



### 18. Trading Operations

The Council has established trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of those units are as follows:

	2011/12		2012/13		2013/14	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Building and Maintenance</b>						
Turnover	(28,276)		(29,213)		(31,909)	
Expenditure	25,795		25,394		28,600	
Exceptional Items	0		0		0	
Interest	(28)		(25)		(2)	
Net (Surplus)/Deficit		(2,509)		(3,844)		(3,311)
Refunds/(Charges)		1,798		1,161		347
Net (Surplus)/Deficit		(711)		(2,683)		(2,964)
<b>Road Maintenance</b>						
Turnover	(10,028)		0		0	
Expenditure	9,777		0		0	
Exceptional Items	0		0		0	
Interest	0		0		0	
Net (Surplus)/Deficit		(251)		0		0
Refunds/(Charges)		277		0		0
Net (Surplus)/Deficit		26		0		0

Provides a range of services, covering all trades, for emergency response, planned maintenance and improvement of buildings. This includes the Council's housing stock as well as operational buildings. Cumulative surplus over the last three financial years: £6.358 million.

Provision of a wide range of services for the construction and maintenance of roads for which the Council has a statutory responsibility as well as the installation and maintenance of street lighting, manufacture and erection of road signs and barriers and winter maintenance activities. Following a review this service is no longer classed as a trading operation. Cumulative deficit over the last three operational financial years: £0.026 million.

	2011/12		2012/13		2013/14	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Provision and Management of Car Parking Facilities</b>						
Responsible for the management and operation of off-street and on-street pay and display parking as well as policing the regime for dealing with decriminalised parking offences.	(8,502)		(8,074)		(9,200)	
Cumulative surplus over the last three operational financial years: £13.750 million.	4,214		3,716		4,315	
	0		0		0	
	(29)		(65)		(125)	
<b>Net (Surplus)/Deficit</b>		(4,317)		(4,423)		(5,010)
<b>Refunds/(Charges)</b>		0		0		0
<b>Net (Surplus)/Deficit</b>		(4,317)		(4,423)		(5,010)
<b>Net (Surplus)/Deficit on Trading Operations (excluding Letting of Properties)</b>		(5,002)		(7,106)		(7,974)
<b>Letting of Industrial, Commercial and Other Properties</b>						
Provides the management and operation of the Council's portfolio of industrial, commercial and miscellaneous land and property holdings which are in the main available for rent on the open market at commercial rates.	(6,648)		(5,662)		(6,521)	
Cumulative surplus in the last three financial years: £18.970 million.	2,990		2,503		3,000	
	(857)		(2,962)		(2,081)	
	(955)		(903)		(874)	
<b>Net (Surplus)/Deficit</b>		(5,470)		(7,024)		(6,476)
<b>Net (Surplus)/Deficit on Trading Operations</b>		(10,472)		(14,130)		(14,450)

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement within the Financing and Investment Income and Expenditure line. The properties held within the Letting of Industrial, Commercial and Other Properties are classed as Investment Properties and thus the results of this operation are included within this category.

	2012/13 £'000	2013/14 £'000
Net (Surplus)/Deficit on trading operations	(14,130)	(14,450)
Investment Properties	(7,024)	(6,476)
Other Trading Operations	(7,106)	(7,974)
<b>Net Surplus credited to Financing and Investment Income and Expenditure (note 8)</b>	<b>(14,130)</b>	<b>(14,450)</b>

## 19. Agency Services

Under various statutory powers a Council may agree with other local authorities and government departments to do work on their behalf, and likewise certain of the Council's service work may be undertaken on our behalf by other bodies. The main items of agency expenditure and income were as follows:-

Agency Expenditure	2012/13 £'000	2013/14 £'000	Agency Income	2012/13 £'000	2013/14 £'000
Payments to voluntary organisations for the provision of care home places	18,469	19,167	Income from other local authorities in respect of the provision of public analyst services	436	506
Payments to voluntary organisations for the provision of day care	2,344	2,663	Receipts from Grampian Joint Police Board, Crown Office and other Local Authorities for mortuary and post mortem services	207	181
Payments to voluntary organisations for the provision of community based care	16,670	14,994	Net receipts from partners in respect of trunk roads (including administration) – AWPR	5,172	0
Payments to residential schools Education, Culture & Sport	2,471	2,556	Receipts from other bodies for administrative services:		
Payments to residential schools Social Care & Wellbeing	4,081	3,768	Scottish Water	637	637
Payments to other public authorities for the provision of care home places	171	203	Scottish Police Authority	243	73
Payments to other public authorities for the provision of community based care	985	818	Scottish Fire and Rescue Service	16	0
Payment to private organisations for the provision of care home places	30,630	30,331	Moray Council	75	75
Payments to private organisations for the provision of day care	817	732	Highland Council	1	0
Payments to private organisations for the provision of community based care	15,495	16,425	Receipts from Aberdeenshire Council for goods supplied	697	772
Payment to other public authorities for the provision of mortuary services	0	5			
Payment to Aberdeenshire Council for Aberdeen City and Shire Economic Forum	125	134			
Net payments to partners in respect of trunk roads (including administration) - W.P.R.	0	1,671			
Payment to Bon Accord Support Services	0	16,445			
	<b>92,258</b>	<b>109,912</b>		<b>7,484</b>	<b>2,244</b>

## 20. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and any non-audit services provided by the Council's external auditors

	2012/13 £'000	2013/14 £'000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	443	449
Recharge to Pension Fund	(39)	(39)
<b>Total</b>	<b>404</b>	<b>410</b>

## 21. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by The Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2013, the Council's own contributions equate to approximately 2.7%.

In 2013/14, the council paid £9.387 million to the Scottish Government in respect of teachers' pension costs, which represents 14.9% of teachers' pensionable pay. The figure for 2012/13 was £9.238 million representing 14.9% of pensionable pay.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 22. The Council is not liable to the scheme for any other entities obligations under the plan.

## 22. Defined Benefit Pension Schemes

The North East Scotland Pension Fund (The Main Fund) and the Transport Fund are administered by Aberdeen City Council within the Local Government Pension Scheme regulations.

The Scheme was established under the Superannuation Fund Act 1972. It is a statutory scheme and is contracted out of the Second State Pension. The scheme is open to all employees of the scheduled bodies, except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Police, Fire and Teachers).

Employees of admitted bodies can join the scheme subject to their individual admission criteria which are outwith the control of Aberdeen City Council.

There are 12 scheduled bodies and these are:

Aberdeen City Council, Aberdeenshire Council, The Moray Council, Scottish Water, Scottish Police Authority, Scottish Fire and Rescue Service, Visit Scotland, North East Scotland College, Moray College, Northern Community Justice Authority, Grampian Valuation Joint Board and Nestrans.

The Transport Fund was created in October 1986 for employees of the former passenger Transport Undertaking who transferred to the limited company now known as First Aberdeen, which was created at that time.

The Funds' investments are externally managed in accordance with the Local Government Pension Scheme (Scotland) (Management and Investment of Funds) Regulations 2010.

Under the Local Government Pension Scheme (Administration) (Scotland) Regulations, there is a requirement for the Council to publish a pension fund annual report from 2011. The report covers, amongst other things, a report by the Head of Finance, scheme governance, governance compliance and membership statistics. It also contains important information on investments and market valuations.

The report will be made available on the Pension Fund website under [www.nespf.org.uk](http://www.nespf.org.uk) or on request from the Head of Finance, Town House, Broad Street, Aberdeen. AB10 1AH

### **Participation in pension schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Aberdeen City Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

### **Discretionary post retirement Benefits**

Discretionary post retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

### **Transactions relating to post employment benefits**

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme £'000		Scottish Teachers Superannuation Scheme £'000	
	2012/13 *	2013/14	2012/13	2013/14
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of Services:				
Service cost comprising:				
• current service cost	23,310	29,404	0	0
• administration expenses	463	480	0	0
• past service costs	4	24	0	0
• (gain)/loss from settlements	0	74	0	0
Financing and Investment Income and Expenditure				
• net interest expense	12,007	11,732	1,185	1,053
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>35,784</b>	<b>41,714</b>	<b>1,185</b>	<b>1,053</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	(87,712)	(52,516)	0	2,797
• actuarial gains and losses arising on changes in demographic assumptions	0	0	0	0
• actuarial gains and losses arising on changes in financial assumptions	112,039	(39,974)	3,143	(2,187)
• Other	0	0	0	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>60,111</b>	<b>(50,776)</b>	<b>4,328</b>	<b>1,663</b>
<b>Movement in Reserves Statement</b>				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(35,784)	(41,714)	(1,185)	(1,053)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	22,477	24,105	0	0
• retirement benefits payable to pensioners	2,620	2,402	1,512	1,779
* 2012/13 figures have been restated for the changes to the requirements of IAS19 Employee Benefits				



**Pension Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme £'000			Includes: Discretionary Benefits Arrangements £'000		
	2011/12	2012/13	2013/14	2011/12	2012/13	2013/14
Present value of the defined benefit obligation	(1,002,083)	(1,156,159)	(1,164,497)	(41,241)	(43,814)	(42,312)
Fair value of plan assets	744,506	863,568	949,189	0	0	0
Sub total	(257,577)	(292,591)	(215,308)	(41,241)	(43,814)	(42,312)
Scottish Teachers Superannuation Scheme	(26,521)	(29,337)	(29,221)	0	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(284,098)</b>	<b>(321,928)</b>	<b>(244,529)</b>	<b>(41,241)</b>	<b>(43,814)</b>	<b>(42,312)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £244.5 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2015 is £26.2 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2015 are £4.1million.

**Assets and liabilities in relation to post employment benefits***Reconciliation of fair value of the scheme (plan) assets:*

	Total Assets: Local Government Pension Scheme £'000		Includes: Discretionary Benefits Arrangements £'000	
	2012/13	2013/14	2012/13	2013/14
<b>Opening fair value of scheme assets</b>	<b>744,506</b>	<b>863,568</b>	<b>0</b>	<b>0</b>
Interest income	36,369	36,215	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	87,712	52,516	0	0
• Other	(463)	(480)	0	0
The effect of changes in foreign exchange rates	0	0	0	0
Contributions from employer	25,097	26,507	2,272	2,324
Contributions from employees into the scheme	7,284	7,494	0	0
Benefits paid	(36,937)	(36,631)	(2,272)	(2,324)
Other	0	0	0	0
<b>Closing fair value of scheme assets</b>	<b>863,568</b>	<b>949,189</b>	<b>0</b>	<b>0</b>
	Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000			
	2012/13	2013/14		
<b>Opening fair value of scheme assets</b>	<b>0</b>	<b>0</b>		
Contributions from employer	1,512	1,779		
Benefits paid	(1,512)	(1,779)		
<b>Closing fair value of scheme assets</b>	<b>0</b>	<b>0</b>		

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £88.731 million (2012/13: £123.617m).

## Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation):

	Total Liabilities: Local Government Pension Scheme £'000		Includes: Discretionary Benefits £'000	
	2012/13	2013/14	2012/13	2013/14
<b>Opening balance at 1 April</b>	<b>(1,002,083)</b>	<b>(1,156,159)</b>	<b>(41,241)</b>	<b>(43,814)</b>
Current service cost	(23,310)	(29,404)	0	0
Interest cost	(48,376)	(47,947)	(1,965)	(1,791)
Contributions from scheme participants	(7,284)	(7,494)	0	0
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	0	0	0	0
• Actuarial gains/losses arising from changes in financial assumptions	(112,039)	39,974	(2,880)	969
• Other	0	0	0	0
Past service cost	(4)	(24)	0	0
Losses/(gains) on curtailment	0	(74)	0	0
Liabilities assumed on entity combinations	0	0	0	0
Benefits paid	36,937	36,631	2,272	2,324
Liabilities extinguished on settlements	0	0	0	0
<b>Closing balance at 31 March</b>	<b>(1,156,159)</b>	<b>(1,164,497)</b>	<b>(43,814)</b>	<b>(42,312)</b>

	Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000	
	2012/13	2013/14
<b>Opening balance at 1 April</b>	<b>(26,521)</b>	<b>(29,337)</b>
Interest cost	(1,185)	(1,053)
Remeasurement (gains) and losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	0	0
• Actuarial gains/losses arising from changes in financial assumptions	(3,143)	2,187
• Other	0	(2,797)
Benefits paid	1,512	1,779
<b>Closing balance at 31 March</b>	<b>(29,337)</b>	<b>(29,221)</b>

## Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2012/13 £'000	%	Fair value of scheme assets 2013/14 £'000	%
Cash and cash equivalents	13,299	1.5%	23,160	2.4%
Equity instruments:				
• UK quoted and unquoted	347,414		371,323	
• Global quoted and unquoted	329,969		371,228	
• Global Frontier Fund	9,845		12,055	
Sub total equity	687,228	79.6%	754,606	79.5%
Bonds:				
• Corporate	25,130		20,882	
• Government	57,772		59,229	
Sub total bonds	82,902	9.6%	80,111	8.4%
Property:				
• UK Direct	47,237		53,060	
• Property funds - Global	2,418		3,417	
Sub total property	49,655	5.7%	56,477	6.0%
Private equity:				
• European	15,026		15,472	
• Global	14,940		18,699	
Sub total private equity	29,966	3.5%	34,171	3.6%
Other investment funds:				
• Infrastructure	518		664	
• Property	0		0	
Sub total other investment funds	518	0.1%	664	0.1%
Derivatives:				
• Forward foreign exchange contracts	0	0.0%	0	0.0%
<b>Total assets</b>	<b>863,568</b>	<b>100.0%</b>	<b>949,189</b>	<b>100.0%</b>
<b>Basis for estimating Assets and Liabilities</b>				

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimated for the North East Scotland Pension Fund on the latest full valuation of the scheme as at 31 March 2011.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2012/13	2013/14	2012/13	2013/14
Long term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.0%	-	-
Government Bonds	2.8%	3.4%		
Other Bonds	3.9%	4.3%	-	-
Other	7.0%	7.0%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.4%	22.5%	22.4%	22.5%
Women	25.4%	25.5%	25.4%	25.5%
Longevity at 65 for future pensioners:				
Men	24.7%	24.8%	-	-
Women	27.8%	27.9%	-	-
Rate of inflation	2.4%	2.4%	2.4%	2.4%
Rate of increase in salaries	4.15%	4.15%	4.15%	4.15%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	4.2%	4.4%	3.7%	4.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonable possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

Impact on the Defined Benefit Obligation in the Scheme.

	Increase in Assumption £'000
Longevity (increase by 1 year in life expectancy)	22,831
Rate of inflation (increase by 0.1%)	19,869
Rate of increase in salaries (increase by 0.1%)	4,407
Rate for discounting scheme liabilities (increase by 0.1%)	(19,505)

**23. Events after the Balance Sheet Date**

The draft Statement of Accounts was authorised for issue by the Head of Finance on 26 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No such adjustments have been required.

**24. Related Parties**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 17 on amounts reported to decision makers.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in the Remuneration Report. The Council nominates elected members to represent the Council on the Boards of many arms length external organisations. During 2013/14 payments to 43 organisations, amounting to £11.1 million (2012/13, 42 organisations, £11.9 million) were made by means of grant support and for the delivery of services. Approval of these grants and service contracts was undertaken in accordance with Council policies and procedures. Details of all members' interests are disclosed on the Council website at [www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk)

Other Public Bodies

The Council is the administering authority for the North East Scotland Pension Fund and it charged the Pension Fund £1.026 million for this service in 2013/14 (2012/13, £0.957 million).

For 2013/14 the Council paid £28.286 million to the Pension Fund representing its employer contributions in respect of current and former employees (2012/13, £26.609 million).

Entities Controlled or Significantly Influenced by the Council

The Council has substantial interests in other entities and the relevant transactions are as follows –

	2012/13		2013/14	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000
Joint Boards				
Grampian Joint Police Board	0	17,049	0	0
Grampian Fire Board	0	11,207	0	0
Grampian Joint Valuation Board	0	1,447	0	1,463
AECC/Mountwest Ltd	207	1,698	204	3,962
Common Good	1,893	33	31	1,805
Trust Funds	36	52	32	37
Aberdeen Sports Village	0	750	16	1,373
Sport Aberdeen	212	6,699	1,370	6,203
Aberdeen Heat & Power	0	4,332	16	6,142
NESTRANS	1,126	1,162	2,422	1,078
SDPA	0	80	0	67
Scotland Excel	0	126 *	0	124
Bon Accord Care	0	0	744	243
Bon Accord Support Services	0	0	1,867	16,445

\* The 2012/13 figure has been restated to include this entity.

The majority of these bodies form part of the Council's group accounts which are set out on pages 140 to 159.

**25. Partnership Arrangements**

During the last year under the Community Care and Health (Scotland) Act 2002, Aberdeen City Council continued to have in place a signed Local Partnership Agreement, with the following partner bodies:

- NHS Grampian; and
- Aberdeen City Health & Social Care Partnership.

The principal objective of the Partnership is the achievement of a better quality of life for the people of Aberdeen, including empowerment, social inclusion, and improved health, through ease of access to an increasingly integrated health and social care service.

In financial year 2013/14 the Partnership Agreement continued to include services to older people, those with physical illness, people with learning disabilities, and people needing mental health services.

The Partnership had a budget, covering each of the above client groupings, in excess of £150m during 2013/14. The budgets are aligned throughout the Partnership, which means that each Partner organisation holds their own element of the budget and records the expenditure and income that relates to the part of the services it is responsible for. At appropriate levels the budgets are then accumulated from across the Partnership and the total represents the overall Partnership budget. Aberdeen City Council's expenditure (and related income) on services to clients is included within the Comprehensive Income and Expenditure Statement.

Aberdeen City Council contributed a budget of approximately £113.9 million in respect of the specific services. This can be broken down as follows:

- Older People and Physical Health           £75.8 million
- Learning Disabilities                         £27.8 million
- Mental Health & Addictions               £10.3 million

These budgets cover a range of services from the assessment of needs and the Council's provision of day and home care to the commissioning and purchase of care home places from private and voluntary sector organisations.

In accordance with the Public Bodies (Joint Working) Bill it is intended that an Integration Joint Board will replace the Aberdeen City Health & Social Care Partnership with effect from 1 April 2015, with shadow arrangements to be implemented during the 2014/15 financial year. It is likely that the budgets outlined above may form the core of the funding to be delegated into the Integration Joint Board.



## 26. Leases

Council as Lessee*Finance Leases*

The Council has installed central heating systems within some of its Council Dwellings under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet within the overall valuation for Council Dwellings and thus the net carrying amounts cannot be separately identified.

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the equipment acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2013	31 March 2014
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):		
• current	134	59
• non current	58	0
Finance costs payable in future years	8	2
<b>Minimum lease payments</b>	<b>200</b>	<b>61</b>
The Minimum lease payment will be payable over the following periods:		
	<b>Minimum Lease Payments</b>	<b>Finance Lease Liabilities</b>
	31 March 2013	31 March 2013
	£'000	£'000
Not later than one year	140	61
Later than one year and not later than five years	60	0
Later than five years	0	0
	<b>200</b>	<b>61</b>
		<b>31 March 2013</b>
		<b>£'000</b>
		<b>134</b>
		<b>58</b>
		<b>0</b>
		<b>192</b>
		<b>59</b>

## Operating Leases

The Council has entered into a number of land and buildings operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	3,129	3,129
Later than one year and not later than five years	10,857	9,635
Later than five years	27,374	30,039
	<b>41,360</b>	<b>42,803</b>

The Council has considered contract arrangements which may contain implied leases. This identified contracts for social care residential services within which it is considered that the Council has the exclusive use of the care homes that it funds. Thus, there is an implied lease in operation within the funding agreement in place. The nature of the lease is operating as the agreements with the service providers are subject to review within the next three years. Given there is the potential to revoke funding within three years and therefore cease implied control of the properties there is no long term commitment.

The future minimum lease payments due under non-cancellable leases in future years is as follows:

	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	543	504
Later than one year and not later than five years	1,627	1,512
Later than five years	0	0
	<b>2,170</b>	<b>2,016</b>

Council as LessorOperating Leases

The Council leases out land and buildings for a variety of purposes. The future minimum lease payments due under non cancellable leases in future years are:

	31 March 2013 * £'000	31 March 2014 £'000
Not later than one year	5,642	6,932
Later than one year and not later than five years	16,768	20,404
Later than five years	151,546	149,538
	<b>173,956</b>	<b>176,874</b>
* 2012/13 figures restated following a review of data.		

**27. Investment Properties**

The following items of income and expenditure have been accounted for in the Comprehensive Income and Expenditure Statement:

	31 March 2013 £'000	31 March 2014 £'000
Rental and interest income from investment property	(6,565)	(7,395)
Expenses arising from investment property	2,503	3,000
Revaluation (gains)/losses	(2,962)	(2,081)
<b>Net (gain)/loss</b>	<b>(7,024)</b>	<b>(6,476)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2012/13 £'000	2013/14 £'000
<b>Balance at start of the year</b>	<b>84,176</b>	<b>83,288</b>
Additions:		
• Purchases	2	124
• Construction	0	0
• Subsequent expenditure	0	0
Disposals	(3,252)	(722)
Net gains/losses from fair value adjustments	2,962	2,081
Transfers:		
• to/from Inventories	0	0
• to/from Property, Plant and Equipment	(600)	0
Other changes	0	0
<b>Balance at end of the year</b>	<b>83,288</b>	<b>84,771</b>

## 28. Intangible Assets

The Council accounts for its capitalised software licences as intangible assets. Consideration is also given to whether any internally generated software should be included as intangible assets. As at 31 March 2014 no material software has been identified.

Software licences are given a finite useful life based on assessments of the period that the licence is expected to be of use to the Council. The majority of licences have a useful life of five years with a small number having been assessed as having a ten year useful life. Of the latter, a maximum of two years remains of the ten year useful life assigned.

The carrying amount of intangible assets is amortised on a straight line basis. Of the amortisation charged to revenue in 2013/14, £0.208 million was charged to IT Administration and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2012/13	2013/14
	Software Licences £'000	Software Licences £'000
Balance at start of year:		
• Gross carrying amounts	1,862	1,361
• Accumulated amortisation	(1,223)	(973)
Net carrying amount at start of year	639	388
Additions	0	0
Other disposals	0	0
Amortisation for the period	(251)	(208)
Other changes	0	0
Net carrying amount at end of year	388	180
Comprising:		
• Gross carrying amounts	1,361	1,361
• Accumulated amortisation	(973)	(1,181)
	<b>388</b>	<b>180</b>

29. Heritage Assets  
 i Reconciliation of the Carrying Value of Heritage Assets Held

	City Monuments £'000	Maritime & Social History £'000	Numismatics £'000	Science, Technology & Industry £'000	Art Collection £'000	Civic Insignia £'000	Total Assets £'000
<b>Cost or valuation</b>							
At 1 April 2012	608	1,984	6	10	145,467	113	148,188
Additions	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Revaluations	0	0	0	0	2,570	187	2,757
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	(230)	0	(230)
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>608</b>	<b>1,984</b>	<b>6</b>	<b>10</b>	<b>147,807</b>	<b>300</b>	<b>150,715</b>
<b>Cost or valuation</b>							
At 1 April 2013	608	1,984	6	10	147,807	300	150,715
Additions	0	0	0	0	107	0	107
Disposals	0	0	0	0	0	0	0
Revaluations	0	0	0	0	1,111	0	1,111
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	(52)	0	(52)
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>608</b>	<b>1,984</b>	<b>6</b>	<b>10</b>	<b>148,973</b>	<b>300</b>	<b>151,881</b>

### City Monuments

The Council's collection of City Monuments is reported in the Balance Sheet at insurance valuation which is based on market values. The most recent valuations were performed between 2007 and 2010.

### Maritime & Social History, Numismatics, Science, Technology & Industry

All three collections are reported in the Balance Sheet at valuation. The curator of each collection determines the valuation based on current values where possible. Due to their nature there is little movement in the market for the sale of these collections and it is often difficult to value an item. For items within the Maritime collection, most were valued between 2002 and 2013. The numismatics collection consists of a Mary Queen of Scots coin dated 1555 which was valued in 1992. The Science, Technology & Industry collection consists of a Rawlins of London Carriage dated 1817 which was valued in 2001.

### Art Collection

The Council's collection of art consists of applied art and fine art. Due to the size of the collection an external valuer was not used to determine the asset worth. For items within applied art, most were valued between 2002 and 2013 where items in the collection were prompted for revaluation when they were loaned to exhibitions or if a similar item was sold at auction.

### Civic Insignia

The Council's collection of Civic Insignia is reported in the Balance Sheet at insurance valuation which is based on market values. The most recent valuations were undertaken in 2013.

### Additions of Heritage Assets

The following items were added during the year:

	£'000
Purchase of a Figured Coffee Service	10
Purchase of the painting 'A Pretty Lady', 1932	7
Purchase of the portrait 'The Artist and his Wife' by John MacDonald Aitken	80
Purchase of the painting 'Clipper Ships'	10
Net carrying amount at end of year	107

There were no disposals made in the financial year.

### ii Heritage Assets: Five Year Summary of Transactions

Due to the nature and number of Heritage Assets held it is deemed impractical to disclose a five year summary of transactions for accounting periods before 1 April 2010.

### iii Heritage Assets: Further Information on the Museum's Collections

#### City Monuments

This collection boasts over 100 monuments from around the Aberdeen City Centre area including the William Wallace Monument by William Grant Stevenson and King Edward VII by Alfred Drury dating back to 1910. Only five monuments have been recognised on the Council's Balance Sheet due to the difficulty in obtaining accurate valuations which reflect the true monuments' value.

#### Maritime & Social History

The collection is maintained to allow locals and visitors of Aberdeen to see real things relating to the lives of the people who built and sailed the ships, fished the seas and defined the harbour from the medieval period to today's busy oil port. A rich collection of "Captain's Paintings" from the clipper ship era, ship models from 1689 to the present, whaler's harpoons, 14<sup>th</sup> century jugs traded to Aberdeen from Holland, a fine lighthouse lens assembly, the deck house of a steamer and underwater unmanned remotely controlled vehicles are all presented along with hundreds of other fascinating objects from Aberdeen's long association with the sea.

#### Numismatics

The main strength of this superb collection is in Scottish coins and banknotes, including no fewer than 16 gold coins, ranging in date from the 13<sup>th</sup> to the 20<sup>th</sup> century. In addition to that group are the 14<sup>th</sup> century coin hoards found in Aberdeen, which are of major European significance. Coins from ancient Greece and Rome are among the City's collection, which also features coinage and banknotes from most countries of the modern world. Communion tokens from churches in Aberdeen, North East Scotland and beyond as well as trade tokens further enhance this assemblage, while a fine range of medals, both commemorative and military, are also included. In line with the Council's capitalisation policy only one item from the collection is reported in the Balance Sheet. This is a Mary Queen of Scots coin dated 1555 valued at £6,300.

#### Science, technology and industry

This collection records the working lives of the people of Aberdeen and how technology has changed communities, work and leisure. This most important local history collection includes items from Aberdeen's great industries such as granite and local engineering. Tools, machines and photographs give an insight into the work of local craftsmen such as the cooper, joiner and shoemaker. The introduction of gas and new transport systems changed the City and are also represented in the collection, as is the gradual increase in technology in the home and office. This collection seeks to record Aberdeen's continued growth and development. In line with the Council's capitalisation policy only one item from the collection is reported in the Balance Sheet. This is a Rawlins of London Carriage dated 1817 valued at £10,000.

#### Fine Art Collection

The collection consists of over 14,000 items including paintings, sculptures and other media which are of local, national and international significance. The major strengths of the collections range from the period c.1850 to present day, with particularly rich holdings of the 19<sup>th</sup> and 20<sup>th</sup> century Scottish art, early 20<sup>th</sup> century English art and a growing collection of challenging international art of the 21<sup>st</sup> century. Artists' portraits and self-portraits form one important collection area as does the unrivalled holding of work by James McBey. The collection also has particularly significant items in terms of both valued and note, including an excellent oil canvas by Francis Bacon "Pope I – Study after Pope Innocent X by Velasquez" which has been valued by the curator at £32 million.



### **Applied and Decorative Art**

The collection comprises over 15,000 items, covering all aspects of applied and decorative art, design and craft and costume and textiles. The collection is particularly strong in the area of ceramics, costume, glass, jewellery, metalwork and textiles, with particular emphasis on Scottish work. An active policy of collecting contemporary British Craft has resulted in one of the most important collections of this type in Scotland. There is a significant group of enamels by the Aberdeen artist James Cromar Watt (1862-1940). The fashion designer Bill Gibb (1943-1988), who was born in Aberdeenshire, is represented by the largest collection of his outfits in the UK along with an archive of over 2,000 fashion sketches, working drawings and notes. In addition, the collection boasts a Lacquer Box valued at £250,000.

### **Civic Insignia**

This small collection of around 10 items consists of insignia relating to civic duties in Aberdeen including items such as badges and chains of office of the Lord and Lady Provost, the Treasurer and the Dean of Guild. Most items boast the Aberdeen City Coat of Arms and date back as early as the 16<sup>th</sup> century.

### **Archaeology**

These collections reflect the extraordinarily rich archaeological heritage of Aberdeen and the North East of Scotland and the internationally significant excavations which have taken place since the 1970s. The great strength lies in the substantial body of local medieval material, which, owing to special staff expertise in this field, is an important resource for research and interpretation. The collection – which continues to grow as new discoveries are made – also includes many organic objects, such as leather shoes, textile fragments, rope and wooden artefacts, which survived hundreds of years of burial owing to the rare waterlogged soil conditions of Aberdeen. Prehistoric objects from the locality, as well as objects from ancient Greece and Egypt, are also part of the collection. Due to the nature of the items within this collection, it is the Council's opinion that because of their rarity, it is not possible to provide a reliable estimate of the collection's value.

### **Library & Information Services**

Aberdeen City Libraries hold a number of reference collections which could be deemed to be held and maintained principally for their contribution to knowledge and culture. The collection consists of Historic book collections of Local and National significance including:

- Cosmo Mitchell Bequest – a collection of books on the art and execution of dance spanning the late 19<sup>th</sup> and early 20<sup>th</sup> centuries;
- Aberdeen in WW2 – a comprehensive photographic record of air-raid damage suffered by Aberdeen during World War Two; and
- James Walker Collection – a collection of books on the theory of music and music scores including some rare examples of early Scottish music.

The Council's Library Service also includes historic directories; the historic local newspaper archive and a photographic archive which is an extensive collection of historical photographs covering buildings, streets and harbour scenes in the City. Due to the immaterial value of these items, this collection has not been disclosed on the Balance Sheet.

**Preservation and Management**

Each of the collections, with the exception of the Library & Information Service and Civic Insignia is managed by a curator of Aberdeen Art Gallery and Museums in accordance with policies that are approved by the Education, Culture and Sport Committee of the Council. Further information on the management of Heritage Assets is provided in the "Acquisition and Disposal Policy" which has been produced in line with the requirements of the Arts Council in England. Acquisitions are small and primarily made by donation. However, on rare occasions when a particularly important asset is available for purchase, the Council will undertake the purchase provided that it meets the objectives of the Museum and the Council in terms of its collection of Heritage Assets. The policy also sets out that disposals of assets in the collections are the responsibility of the governing body of the museum acting on the advice of professional curatorial staff and will only be disposed of after considering the public interest and implication for the museum's collections. Assets are collated, preserved and managed in accordance with the aforementioned policy. There is a computerised record of all assets held within each collection which contains a brief description of the asset, the artist/author, type of asset and value. Each asset also has a unique identifier for reference purposes.

## 30. Property, Plant and Equipment

## Movements in 2012/13:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PPP Assets included in Property, Plant & Equipment £'000
<b>Cost or Valuation</b>									
At 1 April 2012	796,494	963,806	72,839	185,824	17,878	34,723	15,441	2,087,005	156,074
Additions	36,163	8,683	3,283	5,286	3,481	374	4,071	61,341	0
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	491	(40,784)	0	0	0	3,787	0	(36,506)	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(22,507)	(69,832)	0	0	0	(374)	0	(92,713)	0
Derecognition – Disposals	(4,091)	0	(942)	0	0	0	0	(5,033)	0
Derecognition – Other	0	(1,354)	(6,688)	0	0	0	0	(8,042)	0
Reclassifications and Transfers	3,965	(820)	0	0	0	806	(3,351)	600	0
Assets reclassified (to)/from Held for Sale	(1,645)	0	0	0	0	0	0	(1,645)	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>808,870</b>	<b>859,699</b>	<b>68,492</b>	<b>191,110</b>	<b>21,359</b>	<b>39,316</b>	<b>16,161</b>	<b>2,005,007</b>	<b>156,074</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2012	(50,663)	(40,804)	(37,580)	(60,127)	0	(1,790)	0	(190,964)	(7,162)
Depreciation charge	(27,488)	(22,605)	(10,427)	(6,173)	0	(550)	0	(67,243)	(4,318)
Depreciation written out to the Revaluation Reserve	108	28,478	0	0	0	95	0	28,681	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	11,829	0	0	0	0	0	11,829	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	388	0	882	0	0	0	0	1,270	0
Derecognition – Other	11	1,176	6,659	0	0	(4)	0	7,842	0
Reclassifications and Transfers	0	0	0	0	0	0	0	0	0
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>(77,644)</b>	<b>(21,926)</b>	<b>(40,466)</b>	<b>(66,300)</b>	<b>0</b>	<b>(2,249)</b>	<b>0</b>	<b>(208,585)</b>	<b>(11,480)</b>
<b>Net Book Value</b>									
At 31 March 2013	731,226	837,773	28,026	124,810	21,359	37,067	16,161	1,796,422	144,594
At 31 March 2012	745,831	923,002	35,259	125,697	17,878	32,933	15,441	1,896,041	148,912

## Property, Plant and Equipment

## Movements in 2013/14:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PPP Assets included in Property, Plant & Equipment £'000
<b>Cost or Valuation</b>									
At 1 April 2013	808,870	859,699	68,492	191,110	21,359	39,316	16,161	2,005,007	156,074
Additions	35,941	9,676	7,606	7,895	1,010	181	15,215	77,524	0
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	509	8,535	0	0	0	(1,595)	0	7,449	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(23,587)	(1,739)	0	0	0	(1,090)	0	(26,416)	0
Derecognition – Disposals	(4,340)	0	(1,931)	0	0	(600)	0	(6,871)	0
Derecognition – Other	0	(231)	0	0	0	0	0	(231)	0
Reclassifications and Transfers	(1,354)	1,523	0	0	0	0	(1,523)	(1,354)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>816,039</b>	<b>877,463</b>	<b>74,167</b>	<b>199,005</b>	<b>22,369</b>	<b>36,212</b>	<b>29,853</b>	<b>2,055,108</b>	<b>156,074</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2013	(77,644)	(21,926)	(40,466)	(66,300)	0	(2,249)	0	(208,585)	(11,480)
Depreciation charge	(29,071)	(23,943)	(9,438)	(6,344)	0	(539)	0	(69,335)	(4,318)
Depreciation written out to the Revaluation Reserve	112	8,626	0	0	0	0	0	8,738	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	1,654	0	0	0	0	0	1,654	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	159	0	159	0
Derecognition – Disposals	548	0	1,734	0	0	6	0	2,288	0
Derecognition – Other	0	80	0	0	0	0	0	80	0
Reclassifications and Transfers	0	0	0	0	0	0	0	0	0
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>(106,055)</b>	<b>(35,509)</b>	<b>(48,170)</b>	<b>(72,644)</b>	<b>0</b>	<b>(2,623)</b>	<b>0</b>	<b>(265,001)</b>	<b>(15,798)</b>
<b>Net Book Value</b>									
At 31 March 2014	709,984	841,954	25,997	126,361	22,369	33,589	29,853	1,790,107	140,276
At 31 March 2013	731,226	837,773	28,026	124,810	21,359	37,067	16,161	1,796,422	144,594

*Depreciation – Useful Lives*

The following useful lives have been used in the calculation of depreciation:

- Council Dwellings – up to 35 years
- Other Land and Buildings – up to 60 years
- Vehicles, Plant and Equipment – up to 20 years
- Infrastructure – up to 50 years

*Capital Commitments*

At 31 March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £20,229 million. Similar commitments at 31 March 2013 were £25,387 million. The major commitments are:

- Housing – Structural Repairs Multi Storeys- £7,365 million
- Housing – Structural Repairs General Houses - £0,131 million
- Housing – Victoria House - New Build - £1,962 million
- Housing – Energy Efficiency Sheltered Housing - £0,661 million
- Non Housing – Woodlands Primary School - £0,200 million
- Non Housing – New Flatted & Supported Accommodation - £2,199 million
- Non Housing – Hillylands Social Work offices - £0,207 million
- Non Housing – Beach Ballroom - £0,224 million
- Non Housing – Beach Leisure Centre - £0,412 million
- Non Housing – Town House - £0,421 million
- Non Housing – Fernielea Primary School - £0,387 million
- Non Housing – Rosemount Community Centre - £0,332 million
- Non Housing – Hydrogen Buses - £4,583 million
- Non Housing – Aberdeen Western Peripheral Route - £1,145 million

*Effects of Changes in Estimates*

In 2013/14, the Council made no material change to its accounting estimates for Property, Plant and Equipment.

*Revaluations*

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally by Stephen Booth, BSc MRICS and Neil Strachan, BLE MRICS who are Royal Institution of Chartered Surveyors (RICS) Registered Valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS.

The significant assumptions applied in estimating the fair values are:

- Buildings constructed under PPP arrangements have been valued as if they were assets wholly owned by the Council without any deferment.
- Council Dwellings are valued using the Beacon Method which involves full inspection of a sample of properties (Beacons). Full inspection of properties other than Beacon properties is not considered necessary due to the similarity of the property types covered by the Beacons.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	54,406	(78,789)	68,484	191,110	21,359	18,576	16,161	291,307
Valued at fair value as at:								
31 March 2014	0	186,933	0	0	0	0	0	186,933
31 March 2013	1,484	394,425	0	0	0	6,073	0	401,982
31 March 2012	6,218	271,190	0	0	0	4,440	0	281,848
31 March 2011	766,904	43,840	0	0	0	0	0	810,744
31 March 2010	0	135,062	0	0	0	9,385	0	144,447
<b>Total cost or valuation</b>	<b>829,012</b>	<b>952,661</b>	<b>68,484</b>	<b>191,110</b>	<b>21,359</b>	<b>38,474</b>	<b>16,161</b>	<b>2,117,261</b>

\* The historical cost of the assets revalued in the five years stated cannot be accurately confirmed due to disposals and transfers between asset categories taking place since assets have been revalued.

### 31. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2012/13 £'000	2013/14 £'000
<b>Opening Capital Financing Requirement</b>	<b>734,287</b>	<b>731,774</b>
<i>Capital investment</i>		
Property, Plant and Equipment	61,342	77,524
Investment Properties	3	124
Heritage Assets	0	107
Loan for National Housing Trust Initiative	1,914	2,910
<i>Sources of finance</i>		
Capital receipts	(6,162)	(8,127)
Government grants and other contributions	(18,150)	(22,763)
Other contributions	(350)	(12,429)
Sums set aside from revenue:		
• Direct revenue contributions	226	186
• Capital for Current Revenue (CFCR)	(22,356)	(23,037)
• Loans fund principal	(16,393)	(17,009)
• PPP liability repayments	(2,587)	(2,728)
<b>Closing Capital Financing Requirement</b>	<b>731,774</b>	<b>726,532</b>
<i>Explanation of movements in year</i>		
Increase/(Decrease) in underlying need to borrow	74	(2,514)
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	(2,587)	(2,728)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(2,513)</b>	<b>(5,242)</b>

### 32. Public Private Partnerships (PPP) and Similar Contracts

#### 3R's (Reorganise, Renovate, Rebuild) Schools PPP Scheme

The Council has entered into a 30 year PPP contract for the construction or renovation, maintenance and operation of ten schools. The schools came into operation between May 2009 and April 2011. The Council has rights under the contract to specify the hours and availability of the schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct or renovate the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights to terminate the contract in various circumstances with the consequences of such a termination depending on the reasons for termination.

#### Property Plant and Equipment

The assets used to provide services are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 30.

#### Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2014 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2014/15	4,461	2,488	7,262	14,211
Payable within two to five years	20,799	10,085	28,099	58,983
Payable within six to ten years	31,417	15,329	32,596	79,342
Payable within eleven to fifteen years	40,662	17,575	29,261	87,498
Payable within sixteen to twenty years	43,408	26,291	25,493	95,192
Payable within twenty one to twenty five years	47,195	37,524	18,537	103,256
Payable within twenty six to thirty years	36	1,032	713	1,781
<b>Total</b>	<b>187,978</b>	<b>110,324</b>	<b>141,961</b>	<b>440,263</b>



Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the contractor for capital expenditure incurred is as follows:

	2012/13 £'000	2013/14 £'000
<b>Balance outstanding at start of year</b>	<b>115,638</b>	<b>112,958</b>
Payments during year	(2,587)	(2,728)
Capital expenditure incurred in the year	0	0
Other Movements	(93)	94
<b>Balance outstanding at end of year</b>	<b>112,958</b>	<b>110,324</b>

### 33. Assets Held for Sale

	2012/13 £'000	2013/14 £'000
<b>Balance Outstanding at start of year</b>	<b>5,831</b>	<b>5,731</b>
Assets newly classified as held for sale:		
• Property, Plant and Equipment	1,645	1,354
• Intangible Assets	0	0
• Other assets/liabilities in disposal groups	0	0
Revaluation losses	(20)	0
Revaluation gains	0	0
Impairment losses	0	0
Assets declassified as held for sale:		
• Property, Plant and Equipment	0	0
• Intangible Assets	0	0
• Other assets/liabilities in disposal groups	0	0
Assets sold	(1,725)	(4,879)
Transfers from non current to current	0	0
<b>Balance outstanding at end of year</b>	<b>5,731</b>	<b>2,206</b>

## 34. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work In Progress		Property Acquired or Constructed for Sale		Total	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
<b>Balance outstanding at start of year</b>	<b>1,969</b>	<b>1,567</b>	<b>116</b>	<b>0</b>	<b>78</b>	<b>87</b>	<b>2,163</b>	<b>1,654</b>
Purchases	15,196	19,981	27,298	30,066	201	187	42,695	50,234
Recognised as an expense in the year	(15,598)	(20,136)	(27,414)	(30,029)	(192)	(196)	(43,204)	(50,361)
Written off balances	0	(20)	0	0	0	0	0	(20)
Reversals of write offs in previous years	0	0	0	0	0	0	0	0
<b>Balance outstanding at end of year</b>	<b>1,567</b>	<b>1,392</b>	<b>0</b>	<b>37</b>	<b>87</b>	<b>78</b>	<b>1,654</b>	<b>1,507</b>

## 35. Short Term Debtors

	31 March 2013 £'000	31 March 2014 £'000
Central government bodies	13,906	10,613
Other local authorities	1,160	1,525
NHS bodies	4,545	1,480
Public corporations and trading funds	5,344	5,758
Other entities and individuals	87,228	88,797
<b>Gross Total</b>	<b>112,183</b>	<b>108,173</b>
Deduct: Provision for Impairment	(46,941)	(50,860)
<b>Net Total</b>	<b>65,242</b>	<b>57,313</b>

## 36. Short Term Creditors

	31 March 2013 £'000	31 March 2014 £'000
Central government bodies	(6,336)	(10,991)
Other local authorities	(361)	(1,387)
NHS bodies	(1,390)	(510)
Public corporations and trading funds	(3,588)	(3,871)
Other entities and individuals	(53,680)	(42,774)
<b>Total</b>	<b>(65,355)</b>	<b>(59,533)</b>

## 37. Provisions

2013/14	Note 1 Compensation Payments - Equal Pay £'000	Note 2 Property - Asset Management £'000	Note 3 Housing / Council Tax Benefit Subsidy £'000	Note 4 Other £'000	Total £'000
<b>Balance at 1 April 2013</b>	<b>(2,632)</b>	<b>(1,425)</b>	<b>(823)</b>	<b>(3,559)</b>	<b>(8,439)</b>
Additional provisions made in 2013/14	(41)	(790)	(282)	(1,260)	(2,373)
Amounts used in 2013/14	240	55	401	246	942
Unused amounts reversed in 2013/14	192	0	195	0	387
Unwinding of discounting in 2013/14	0	0	0	0	0
<b>Balance at 31 March 2014</b>	<b>(2,241)</b>	<b>(2,160)</b>	<b>(509)</b>	<b>(4,573)</b>	<b>(9,483)</b>
<i>Represented by:</i>					
<b>Current provisions</b>	<b>(279)</b>	<b>(642)</b>	<b>(405)</b>	<b>(4,573)</b>	<b>(5,899)</b>
<b>Long term provisions</b>	<b>(1,962)</b>	<b>(1,518)</b>	<b>(104)</b>	<b>0</b>	<b>(3,584)</b>

**Notes on Provisions –**

**1. Compensation Payments – Equal Pay £ 2.241 million**

This is a provision for arrears of equal pay under Single Status legislation for the period from June 2006, subsequent to compromise settlements already paid. The primary groups of staff involved are employed in the Cleaning, Catering, Education and Social Work services. This provision may have an extended life due to uncertainty in relation to Employment Tribunal outcomes which may also alter the amounts due.

**2. Property – Asset Management - £2.160 million**

Provisions are held for a number of properties leased by the Council against the cost of dilapidations that need to be made good upon the conclusion of existing lease periods. The timing of these provisions being utilised varies with the property, with all current leases terminating between 2013 and 2020. The provision is based upon an annual assessment carried out by the Council's quantity surveyors. While the timing of the outflows is reasonably certain, the final value of the works required is subject to variation. A further amount is held to reimburse a third party for costs incurred by them on demolishing a council owned building.

**3. Housing / Council Tax Benefit Subsidy - £0.509 million**

This Provision is for potential claw back by the Department of Works and Pensions (DWP) for overpayments on the Housing/Council Tax Benefit Subsidy Grant. Liability will depend on the outcome of the audit scrutiny, testing and a final determination by DWP. The figure is based on a worst case scenario by the Corporate Debt/Income Manager. The full liability could be called upon in 2014/15.

**4. Other**

- **Social Care - £0.080 million**

This provision relates to a potential Information Commissioner's Office (ICO) penalty notice.

- **Outstanding Legal Cases - £0.600 million**

This provision relates to two outstanding claims against the Council from former staff and a number of claims against the Council in relation to environmental services.

- **Council Tax Discount on Second Homes and Long Term Empty Properties - £2.163 million**

This provision relates to amounts committed towards affordable housing projects, which are expected to be released in 2014/15.

- **HRA - £1.730 million**

This provision relates to an outstanding claim from a contractor to the Council and a potential ICO penalty notice. The claim from the contractor has been resolved in 2014/15.

**38. Contingent Liabilities**

At 31 March 2014 the Council had material contingent liabilities as undernoted:

- **Satrosphere**

The Council has agreed to provide a guarantee to the Bank of Scotland for the sum of £138,900 in support of an overdraft facility and card transactions until 31 March 2014.

- **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of loans of £340,000 and a maximum overdraft facility of £200,000 as well as a guarantee of £200,000 to Social Investment Scotland in respect of an 11 year loan which is due to be repaid by June 2022.

- **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 Traumaud, 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 an assessment of the environmental monitoring and reinstatement requirements has been carried out. It was established that works were required to stabilise and improve the landfill cap on the steep slope at the western boundary and this work is currently being carried out through a no cost restoration deal and is due to be finished by the end of September 2014.

- **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.

As a result of changes in environmental legislation, problems in obtaining planning consents for elements of the contract and changes in operational costs resulting therefrom, the contractor submitted a number of substantial claims in respect of additional costs incurred, which have been accounted for through both revenue and capital funding.

It is unknown whether any further liabilities may arise from this contract.

- **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 guarantors to organisations that include Aberdeen Sports Village, Sport Aberdeen, Aberdeen Performing Arts, 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.

- **Legal Case – Locke v British Gas Trading Company**

A recent ruling by the European Court of Justice has called into question the components of a person remuneration which should be included in the calculation of their holiday pay. The ruling is still being considered and its impact assessed but it is prudent at this stage to recognise that a future liability may arise.

## 39. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	2012/13 £'000	2013/14 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Total Revenue Funding Grant	347,306	318,662
<b>Total</b>	<b>347,306</b>	<b>318,662</b>
<b>Credited to Services</b>		
Housing Benefit Grant	53,607	51,749
S27 Community Justice Grant	4,289	4,297
Western Peripheral Route Works	4,947	9,044
Discretionary Housing Payment	0	367
Council Tax Benefit Grant	10,595	0
Council Tax Admin Grant	1,376	1,183
Creative Scotland	605	393
European Funding	611	655
Home Office	59	0
Historic Scotland	0	40
Scottish Government	1,521	3,303
Sport Scotland	150	395
Citizenship Grant	0	66
Other	1	2
<b>Total</b>	<b>77,761</b>	<b>71,494</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

<b>Current Liabilities</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>
<b>Revenue Grants - Receipts in Advance</b>		
Welfare Reform	99	0
Funding for Analysts Posts	59	0
Town Centre Regeneration	22	0
Anti Terrorism	4	8
Windmill Brae Lighting	10	0
Social Care & Wellbeing (Telecare, Kinship Care, Luggage)	71	26
Older People Change Fund	239	0
Equality Funding	16	16
Self Directed Support / Caledonian Funding	292	508
Bequest / Europe Direct for Libraries	50	50
Substance Misuse Training	22	22
Creative Scotland – Various Projects	31	163
Creative Learning Network	13	13
Sport Scotland – Various Projects	115	54
Explorer Website Project	11	0
Award Scotland - various projects	0	2
Education Scotland	0	4
Scottish Government	0	521
Community Safety Hub Funding	0	123
Heritage Lottery Fund - various projects	0	13
NHS Food - Focus Women's Connection Centre	0	17
<b>Total</b>	<b>1,054</b>	<b>1,540</b>
<b>Capital Grants - Receipts in Advance</b>		
Gypsy Traveller Grant	103	103
Hydrogen Bus Project	1,799	4,733
<b>Total</b>	<b>1,902</b>	<b>4,836</b>



## 40. Financial Instruments

## Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Instruments Balances	Long term		Current	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
<b>Investments</b>				
Loans and receivables	0	0	20,341	25,234
Available for sale financial assets	10,897	10,835	0	0
<b>Total investments</b>	<b>10,897</b>	<b>10,835</b>	<b>20,341</b>	<b>25,234</b>
<b>Debtors</b>				
Loans and receivables	9,416	13,870	0	0
Financial assets carried at contract amount	0	0	65,242	57,313
<b>Total debtors</b>	<b>9,416</b>	<b>13,870</b>	<b>65,242</b>	<b>57,313</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(460,777)	(435,168)	(121,660)	(117,608)
Overdraft	0	0	0	0
<b>Total borrowings</b>	<b>(460,777)</b>	<b>(435,168)</b>	<b>(121,660)</b>	<b>(117,608)</b>
<b>Other Long term Liabilities</b>				
PPP liabilities	(110,230)	(107,836)	0	0
Finance lease liabilities (Creditors)	(59)	0	0	0
<b>Total other long term liabilities</b>	<b>(110,289)</b>	<b>(107,836)</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(65,355)	(59,533)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(65,355)</b>	<b>(59,533)</b>

Note: Lenders Option/Borrowers Option (LOBO's) of £60.9m have been included in long term borrowing but have a call date in the next 12 months.

**Reclassifications****Income, Expense, Gains and Losses**

Financial Instruments Gains/(Losses)	2012/13		2013/14		Total
	Financial Liabilities	Financial Assets	Financial Liabilities	Financial Assets	
	Measured at amortised cost £'000	Loans and receivables £'000	Measured at amortised cost £'000	Loans and receivables £'000	
Interest expense	(33,737)	0	(33,622)	0	(33,622)
<b>Total expense in Surplus or (Deficit) on the Provision of Services</b>	<b>(33,737)</b>	<b>0</b>	<b>(33,622)</b>	<b>0</b>	<b>(33,622)</b>
Interest income	0	746	0	680	680
<b>Total income in Surplus or (Deficit) on the Provision of Services</b>	<b>0</b>	<b>746</b>	<b>0</b>	<b>680</b>	<b>680</b>
<b>Net gain/(loss) for the year</b>	<b>(33,737)</b>	<b>746</b>	<b>(33,622)</b>	<b>680</b>	<b>(32,942)</b>

**Fair Values of Assets and Liabilities**

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2014 of 1.90% to 11.125% for loans from the PWLB and 3.98% to 5.00% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair Value of Liabilities	31 March 2013				31 March 2014			
	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000
PWLB – maturity	(379,570)	(7,624)	(387,194)	(464,085)	(373,717)	(7,369)	(381,085)	(434,402)
PWLB – annuity	(960)	(34)	(994)	(1,024)	0	0	0	0
PWLB – EIP	(1,373)	(57)	(1,430)	(1,653)	(980)	(41)	(1,021)	(1,127)
LOBOs	(93,893)	(671)	(94,564)	(103,138)	(93,893)	(663)	(94,556)	(97,622)
Transfer Interest to Short Term in line with Code requirements	0	8,386	8,386	0	0	8,073	8,073	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements	0	0	17,207	0	0	0	35,518	0
Financial Instrument Adjustments	0	0	(2,188)	0	0	0	(2,097)	0
<b>Total Long Term Borrowing</b>	<b>(475,796)</b>	<b>0</b>	<b>(460,777)</b>	<b>(569,900)</b>	<b>(468,590)</b>	<b>0</b>	<b>(435,168)</b>	<b>(533,151)</b>
Short term borrowing	(95,904)	(163)	(96,067)	(96,067)	(73,921)	(96)	(74,017)	(74,017)
Transfer Interest from Long Term in line with Code requirements	0	(8,386)	(8,386)	0	0	(8,073)	(8,073)	0
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements	0	0	(17,207)	0	0	0	(35,518)	0
<b>Total Short Term Borrowing</b>	<b>(95,904)</b>	<b>(8,549)</b>	<b>(121,660)</b>	<b>(96,067)</b>	<b>(73,921)</b>	<b>(8,169)</b>	<b>(117,608)</b>	<b>(74,017)</b>

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders above current market rates.

Fair Value of Assets	31 March 2013				31 March 2014			
	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000
Deposits with banks/building societies	49,040	318	49,358	49,445	35,658	161	35,819	35,847

The above deposits are shown within Cash and Cash Equivalents and Short Term Investments in the Balance Sheet.

#### 41. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments; and
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in its annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

##### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by the Council's Treasury Advisers. The Annual Investment Strategy also imposes a maximum sum of £30 million to be invested with a financial institution located within the highest category for a maximum duration of 12 months.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £35.7m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions:

<b>Credit Risk A</b>	<b>Estimated maximum exposure at 31 March 2013 £'000</b>	<b>Amount at 31 March 2014 £'000</b>	<b>Historical experience of default %</b>	<b>Historical experience adjusted for market conditions at 31 March 2014 %</b>	<b>Estimated maximum exposure to default and uncollectability at 31 March 2014 £'000 (A x C)</b>
		<b>A</b>	<b>B</b>	<b>C</b>	
0 Deposits with banks and building societies	35,818		0	0	0
609 Customers	24,152		4.84%	4.84%	1,169
<b>609</b>					<b>1,169</b>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits and bonds. The Council does not generally allow credit for customers, however £24.2m is past its due date for payment. The past due amount can be analysed by age as follows:

<b>Credit Risk B</b>	<b>31 March 2013 £'000</b>	<b>31 March 2014 £'000</b>
Less than three months	5,194	6,545
Three to six months	1,488	946
Six months to one year	2,175	1,846
More than one year	12,207	14,815
	<b>21,064</b>	<b>24,152</b>

#### **Liquidity risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 20% of loans are due to mature within any financial year and 50% within any rolling five year period through a combination of prudent planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	31 March 2013 £'000	31 March 2014 £'000
Less than one year	111,601	110,082
Between one and two years	36,318	15,838
Between two and five years	51,293	59,152
Between five and ten years	50,230	26,369
More than ten years	329,200	338,596
	<b>578,642</b>	<b>550,037</b>

In the "More than 10 years" category in the table above there are £60.9 million of LOBOs which have a call date in the next 12 months. All trade and other payables are due to be paid in less than one year.

#### **Market risk**

##### Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2014, if discount rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	559
Increase in interest receivable on variable rate investments	(400)
Impact on Surplus or Deficit on the Provision of Services	<b>159</b>
Share of overall impact debited to the HRA	<b>50</b>
Decrease in fair value of fixed rate investment assets	<b>55</b>
Impact on Other Comprehensive Income and Expenditure	<b>0</b>
Decrease in fair value of fixed rate borrowings liabilities due to a 1% rise in discount rates (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<b>64,448</b>

The impact of a 1% fall in discount rates would be as above but with the movements being reversed.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

**Loans Fund**

The Loans Fund is the central financing agency of the Council. It is an accounting arrangement which simplifies on the one hand expenditure on various capital projects and, on the other hand, the borrowing of money to finance such projects. Effectively the Council's services borrow from the Loans Fund to finance their capital expenditure and the Loans Fund in turn borrows from the Government through the Public Works Loan Board or from the London Money Market. At the end of each financial year the capital expenditure incurred by services is added to their prior year's expenditure to reflect the total debt owed by each service to the Loans Fund.

Each year the service's accounts repay a proportion of the sums previously borrowed, based on the life of the asset, along with a share of the interest paid on loans and expenses of managing the Loans Fund. All interest and management expenses are initially paid by the Loans Fund and then recharged to service accounts at an average rate which is sufficient to recover each year's expenditure in full. For 2013/14, the average interest rates were 4.20% for capital (2012/13 4.22%), 0.41% for revenue advances (2012/13 0.48%) and 0.02% for expenses (2012/13 0.03%) on raising loans.

The management of all money and capital market transactions in connection with cash and funding resources for the Council has been carried out in accordance with the Council's Treasury Policy Statement as recommended by the CIPFA Code of Practice for Treasury Management in Local Authorities.

**Loans Fund Borrowing**

2012/13 £'000	Percentage of Debt		2013/14 £'000	Percentage of Debt
381,903	61.72%	PWLB	374,697	59.60%
89,634	14.48%	Temporary Loans	67,527	10.74%
93,893	15.17%	Mortgage Loans	93,893	14.93%
53,386	8.63%	Other Sources	92,617	14.73%
<b>618,816</b>	<b>100.00%</b>	<b>Total</b>	<b>628,734</b>	<b>100.00%</b>



## Amounts Borrowed from the Loans Fund

	2009/10	2010/11	2011/12	2012/13	2013/14
	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>					
Corporate Governance	4,436	5,840	7,679	7,076	4,141
Education, Culture & Sport	154,005	155,016	151,392	146,250	145,962
Enterprise, Planning & Infrastructure	147,184	176,524	187,345	189,751	204,988
Housing & Environment	34,607	39,665	41,397	46,982	45,320
Social Care & Wellbeing	22,074	21,529	21,140	21,372	21,016
Other	10,855	9,952	(6,114)	(13,777)	(24,870)
	<b>373,161</b>	<b>408,526</b>	<b>402,839</b>	<b>397,654</b>	<b>396,557</b>
<b>Trading Operations</b>					
Enterprise, Planning & Infrastructure	24,237	22,633	22,102	23,717	23,005
Housing & Environment	674	624	576	565	78
	<b>24,911</b>	<b>23,257</b>	<b>22,678</b>	<b>24,282</b>	<b>23,083</b>
<b>Housing Revenue Account</b>					
Housing & Environment	163,850	185,923	193,225	196,880	196,665
	<b>561,922</b>	<b>617,706</b>	<b>618,742</b>	<b>618,816</b>	<b>616,305</b>

Loans Fund		Loans Fund	
Revenue Account		Balance Sheet as at 31 March	
2012/13 £'000	2013/14 £'000	2013 £'000	2014 £'000
	<b>Expenditure</b>	<b>Assets</b>	
26,816	Interest paid to External Bodies	Advances to:	
795	Interest paid to Other Council Accounts	Aberdeen City Council for Capital Expenditure	616,305
154	General Expenses	Other Bodies	2
<b>27,765</b>	<b>27,201</b>	Rescheduled Premiums	14,804
	<b>Income</b>		631,111
	Interest & Expenses charged to Aberdeen City Council	<b>Current Assets</b>	
(17,218)	General Fund	Temporary Investments	35,550
(8,680)	Housing Revenue Account	Sundry Debtors	269
(998)	Trading Operations		666,930
(869)	From Temporary Investments	<b>Less: Current Liabilities</b>	
<b>(27,765)</b>	<b>(27,201)</b>	Temporary Advances from Council Services	123,272
		Sundry Creditors	8,169
		Bank Overdraft	(630)
			130,811
		<b>Net Assets</b>	<b>536,119</b>
		<b>Financed by:</b>	
		Public Works Loan Board	(374,697)
		Money Market Loans	(93,893)
		Stock Issue & Gas Annuities	(2)
		Temporary Loans	(67,527)
			<b>(536,119)</b>

## Housing Revenue Account Income and Expenditure Statement

2012/13		2013/14	
£'000		£'000	£'000
	<b>Income</b>		
(73,700)	Dwelling Rents	(75,997)	
(2,758)	Non dwelling Rents	(3,007)	
(241)	Hostel Grant	0	
(769)	Other Income	(1,069)	
<b>(77,468)</b>			<b>(80,073)</b>
	<b>Expenditure</b>		
550	Staff Costs	606	606
<b>550</b>			
	Premises Costs:		
21,298	Repairs and Maintenance	21,816	
2,881	Maintenance of amenity areas	3,228	
1,716	Bad debts written off/provisions	1,138	
964	Loss of rent vacant periods	1,560	
1,482	Other costs	1,427	
<b>28,341</b>			<b>29,169</b>
	Administration Costs:		
6,427	Management and Administration	7,051	
863	Other costs	1,029	
<b>7,290</b>			<b>8,080</b>
	Supplies and Services:		
3,465	Communal Lighting and Heating, etc.	3,804	
260	Information Technology	249	
236	Other Costs	200	
<b>3,961</b>			<b>4,253</b>

	2013/14	
	£'000	£'000
<b>2012/13</b>		
<b>£'000</b>		
Agencies:		
Contributions	227	
Supporting People Contribution	406	
Tenant's Participation/Helplines	565	
<b>1,189</b>		<b>1,198</b>
Capital Charges:		
Depreciation	29,252	
Impairment of Non Current Assets	23,587	
<b>50,167</b>		<b>52,839</b>
<b>91,498</b>		<b>96,145</b>
<b>Gross Expenditure</b>		
<b>Net Cost of HRA Services per Council's</b>		
14,030		16,072
172		143
<b>14,202</b>		<b>16,215</b>
<b>Net Cost of HRA Services</b>		
(1,406)		(2,364)
8,689		8,694
(138)		(131)
244		718
(848)		(2,520)
<b>20,743</b>		<b>20,612</b>
<b>(Surplus)/deficit for the year on HRA Services</b>		

**Movement on the Housing Revenue Account Statement**

2012/13 £'000	Notes	2013/14 £'000
(7,003)		(8,410)
Balance on the HRA at start of Year		
20,743		20,612
(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		
(22,150)	1	(21,597)
Adjustments between Accounting Basis and Funding Basis Under Statute		
(1,407)		(985)
Net (Increase) or Decrease Before Transfers to or (from) Reserves		
0	2	0
Transfers to or (from) Reserves		
(1,407)		(985)
(Increase) or Decrease in Year on the HRA		
<b>(8,410)</b>		<b>(9,395)</b>
<b>Balance on the HRA at end of Year</b>		

**Housing Revenue Account Disclosures****1. Adjustments between Accounting Basis and Funding Basis under Statute**

2012/13 £'000	2013/14 £'000
1,406	2,363
Gain or (loss) on sale of HRA non-current assets	
21,504	22,575
Capital expenditure funded by the HRA	
Transfer to/from the Capital Adjustment Account:	
(50,168)	(52,839)
Depreciation and Impairment	
848	2,520
Capital Grants and Contributions	
4,530	4,580
Repayment of Debt	
(274)	(808)
HRA share of contributions to or from the Pensions Reserve	
0	0
Adjustment involving the Accumulated Absences Account	
4	12
Statutory Reserves	
<b>(22,150)</b>	<b>(21,597)</b>

**2. Transfers (to) or from Reserves**

2012/13 £'000		2013/14 £'000
0	Transfer to/(from) the General Fund	0
<b>0</b>	<b>Total</b>	<b>0</b>

**3. Housing Stock**

The Council's housing stock at 31 March 2014 was 22,500 (22,656 at 31 March 2013) in the following categories:

2012/13 Number		2013/14 Number
	<b>Type of Property</b>	
2,273	Sheltered Property	2,237
5	Wardens Property	5
4,725	Cottage	4,671
8,977	Flat	8,888
2,199	Four in Block	2,192
571	Maisonette	564
2,132	Multi Storey Flat	2,131
125	Split Level Flat	122
447	Multi Storey Maisonette	441
813	Amenity	867
356	Homeless	358
<b>22,623</b>	<b>Sub Total</b>	<b>22,476</b>
33	Properties off the charge	24
<b>22,656</b>	<b>HRA Total</b>	<b>22,500</b>
	<b>Other Assets</b>	
1	Hostel	1
245	Garages Sites	245
2,062	Lock Up Garages	2,058
918	Parking Spaces	918
20	Travelling Peoples Sites	17
<b>3,246</b>		<b>3,239</b>

**4. Rent Arrears**

2012/13 £'000		2013/14 £'000
3,846	Current Tenant Arrears	4,434
3,425	Former Tenant Arrears	4,249
<b>7,271</b>	<b>Total Rent Arrears</b>	<b>8,683</b>

**5. Impairment of Debtors**

In 2013/14 an impairment of £7,566,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £1,328,000 from the provision in 2012/13.

**6. Exceptional or Prior Year Adjustments**

There are no exceptional or prior year adjustments not disclosed in the statement.

**National Non Domestic Rates**

National Non Domestic Rates (NDR) income is collected by local authorities and remitted to the Scottish Government, where it is pooled nationally, and re-distributed back to local authorities along with the Revenue Support Grant.

Occupiers of non domestic property continue to pay rates based on the valuation of the property as compiled by the Grampian Valuation Joint Board. The non domestic rate (NDR) poundage for 2013/14, which is set annually by the Scottish Ministers, is 46.2 pence. There is also a small supplement on the poundage rate of 0.9 pence for subjects with a rateable value greater than £35,000 to cover the additional costs of the Small Business Bonus Scheme. In addition, large retail properties with a rateable value of £300,000 or more which sell alcohol and tobacco are required to pay a Public Health Levy of 13 pence. In 2012/13, the NDR poundage rate was set at 45 pence and the supplement at 0.8 pence. The table below details the actual levels of NNDR billed by Aberdeen City Council, and the amount that the Council is entitled to receive under the National Pooling arrangement.

	2012/13	2013/14
	£'000	£'000
	<b>(203,158)</b>	<b>(209,691)</b>
<b>Gross Rates Levied and Contributions in Lieu</b>		
<i>Deduct:</i>		
Reliefs, remissions, etc.	25,867	24,307
Payment of Interest	0	0
Write off of uncollectable debts and allowances for impairment	1,124	1,911
<b>Net Non Domestic Rate Income</b>	<b>(176,167)</b>	<b>(183,473)</b>
Adjustment to previous years' National Non Domestic Rates	5,937	5,602
<b>Contribution to Non Domestic Rate Pool</b>	<b>(170,230)</b>	<b>(177,871)</b>
<b>Distribution from Non Domestic Rate Pool</b>	<b>(164,576)</b>	<b>(177,084)</b>
<i>Add:</i>		
Adjustment for Statutory Additions	(268)	(138)
Adjustments for periods prior to Pool	0	0
Prior periods cash adjustment	(2,433)	0
<i>Less:</i>		
Charity Relief adjustment	0	270
<b>Income credited to the Comprehensive Income and Expenditure Statement *</b>	<b>(167,277)</b>	<b>(176,952)</b>

\* The figures above assume that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) target.



Category	Number of Subjects	Rateable Value at 1 April 2014 £'000
Shops	2,103	91,017
Public Houses	170	6,979
Offices	2,097	141,303
Hotels	243	15,204
Industrial Factories, Warehouses, Stores	1,829	98,299
Leisure Entertainment, Caravans and Holiday Sites	362	12,376
Garages and Petrol Stations	206	3,923
Cultural	13	768
Sporting Subjects	48	406
Education & Training	159	29,440
Public Service Subjects	570	15,431
Communications	304	2,399
Quarries, Mines etc.	9	95
Petrochemical	2	848
Religious	132	2,383
Health / Medical	123	14,047
Other	395	4,565
Care Facilities	137	5,207
Advertising	372	421
Undertaking	6,640	1,957
<b>Total Non Domestic Rates Subjects</b>	<b>15,914</b>	<b>447,068</b>

**Council Tax**

Local authorities raise taxes from its residents through the Council Tax which is a property tax linked to property values. Each dwelling in Aberdeen City is placed into one of eight valuation bands (A to H), as determined by Grampian Valuation Joint Board. The Council determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued properties (E to H) paying more. All domestic dwellings that appear on the valuation list are liable for the tax, but in some circumstances, for example single occupancy, discounts can apply, and some dwellings, for instance students' residences and certain unoccupied dwellings, are exempt.

In 2013/14, for Band D properties, the Council's Council Tax was frozen at £1,230.39. The full range of bandings is set out after the Council Tax Income Account.

**Council Tax Income Account**

2012/13 £'000		2013/14 £'000
(133,183)	Gross Assessments	(134,141)
(622)	Net band adjustments	(695)
<b>(133,805)</b>	<b>Council Tax Collectable</b>	<b>(134,836)</b>
	<i>Deduct:</i>	
9,008	Exemptions	8,672
63	Disabled Relief	62
12,397	Discounts	12,396
2,866	Provision for non collection	3,235
79	Net benefit grant	0
0	Council Tax Reduction	9,838
266	Other	233
<b>(109,126)</b>		<b>(100,400)</b>
	<i>Add:</i>	
(1,124)	Statutory Additions	(1,127)
446	Prior Year Adjustments	(1,264)
72	CTB Provision for overpayment	0
40	Write Ons	52
<b>(109,692)</b>	<b>Net Council Tax income for the Year</b>	<b>(102,739)</b>
(12)	Arrears of Community Charge (Poll Tax) recovered during the year	(10)
<b>(109,704)</b>	<b>Net Council Tax income transferred to General Fund</b>	<b>(102,749)</b>

## The calculation of the Council Tax Base 2013/14

	Number of Dwellings	Number of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
Band A (subject to disabled relief)			11			11	5/9	6
Band A	22,053	(2,310)	47	(3,112)	(376)	16,302	6/9	10,868
Band B	28,076	(2,029)	(12)	(3,284)	(325)	22,426	7/9	17,442
Band C	18,342	(1,215)	(1)	(1,583)	(206)	15,337	8/9	13,633
Band D	14,197	(1,699)	3	(1,172)	(292)	11,037	9/9	11,037
Band E	13,744	(448)	(1)	(968)	(218)	12,109	11/9	14,800
Band F	8,051	(159)	(5)	(455)	(90)	7,342	13/9	10,605
Band G	7,123	(105)	(39)	(267)	(67)	6,646	15/9	11,075
Band H	836	(24)	(3)	(22)	(13)	774	18/9	1,548
						Total		91,014
						Contributions in Lieu		6
						Provision for Bad Debts (2.4%)		(2,184)
						Council Tax Base		88,836

All dwellings fall within a valuation band between A to H which is determined by Grampian Valuation Joint Board. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Aberdeen City Council, the band D charge for 2013/14 was £1,230.39 (2012/13 £1,230.39)

Property Value (£)	Band	Proportion of Band D	Council Tax Level (£)
27,000 or under	A	6/9	820.26
27,001 – 35,000	B	7/9	956.97
35,001 – 45,000	C	8/9	1,093.68
45,001 – 58,000	D	9/9	1,230.39
58,001 – 80,000	E	11/9	1,503.81
80,001 – 106,000	F	13/9	1,777.23
106,001 – 212,000	G	15/9	2,050.65
Over 212,000	H	18/9	2,460.78

**Common Good**

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land and buildings, such as industrial estates and farms, with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

**Movement in Reserves Statement**

	Common Good Fund £'000	Reserves Fund £'000	Total Common Good £'000
<b>Balance at 1 April 2012</b>	(73,785)	(68)	(73,853)
<b><u>Movement in Reserves during 2012/13</u></b>			
(Surplus) or Deficit on provision of services	(4,312)	0	(4,312)
<b>Total Comprehensive Expenditure and Income</b>	<b>(4,312)</b>	<b>0</b>	<b>(4,312)</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>(78,097)</b>	<b>(68)</b>	<b>(78,165)</b>
<b><u>Movement in Reserves during 2013/14</u></b>			
(Surplus) or Deficit on provision of services	(21,177)	0	(21,177)
<b>Total Comprehensive Expenditure and Income</b>	<b>(21,177)</b>	<b>0</b>	<b>(21,177)</b>
<b>Balance at 31 March 2014</b>	<b>(99,274)</b>	<b>(68)</b>	<b>(99,342)</b>

## Comprehensive Income and Expenditure Statement

2012/13	2013/14		
	Net (Income) Expenditure £'000	Gross Expenditure £'000	Gross Income £'000
16	16	0	16
81	81	0	81
984	1,216	0	1,216
400	373	0	373
44	0	0	0
110	84	0	84
116	113	0	113
172	218	0	218
83	83	0	83
257	304	0	304
0	4	0	4
34	50	0	50
203	0	0	0
56	68	0	68
<b>2,556</b>	<b>2,610</b>	<b>0</b>	<b>2,610</b>
0			(1,391)
(2,953)			(2,222)
(226)			(159)
<b>(623)</b>			<b>(1,162)</b>
(3,689)			(20,015)
<b>(4,312)</b>			<b>(21,177)</b>

## Balance Sheet

31 March 2013		31 March 2014
£'000		£'000
70,176	Investment Property	88,526
<b>70,176</b>	<b>Long Term Assets</b>	<b>88,526</b>
7,680	Investments in Aberdeen City Council Loans Fund	10,693
136	Investment Property Held for Sale	136
539	Short Term Debtors	472
<b>8,355</b>	<b>Current Assets</b>	<b>11,301</b>
(366)	Short Term Creditors	(485)
<b>(366)</b>	<b>Current Liabilities</b>	<b>(485)</b>
<b>78,165</b>	<b>Net Assets</b>	<b>99,342</b>
(78,097)	Common Good Fund	(99,274)
(68)	Reserve Fund	(68)
<b>(78,165)</b>	<b>Total Reserves</b>	<b>(99,342)</b>



Steven Whyte, CPFA  
Head of Finance

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### Trust Funds and Endowments

The Council is responsible for the administration of various trusts. They have been created by bequest or evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and also the administration of the Guildry. The money earned from the investments of the trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes. As well as administering the trusts, the Council is also the appointed trustee for all the trusts.

This section gives summary details of the income and disbursements relating to these trusts, together with a summary of the balances of the trusts at 31 March 2014 and details of how the balances were invested at that date. A detailed breakdown of the separate individual trust accounts can be obtained from the Head of Finance.

Included in these funds are 8 trusts which are registered as Scottish charities under the Charities and Trustee Investment (Scotland) Act 2005. This number has decreased from 2012/13 reflecting the progress made by the council, in consultation with the Office of the Scottish Charity Regulator (OSCR), to rationalise the number of funds held and streamline their administration through a scheme of amalgamation. A separate audited Annual Report and Accounts for each of the council's registered charitable trusts is submitted to OSCR each December.

In addition to these trusts there are a number of independent trusts which are separately supported and administered by the council e.g. the Chris Anderson Trust and various Festival Trusts.

Trust Funds have been incorporated into the Group accounts on the basis that they are entirely controlled by the Council, which appoints 100% of the trustees. However, it is acknowledged that the funds belong to the Trusts and that they may be used solely for the purposes specified in the Trust articles. The assets are not the property of the Council.

## Movement in Funds

Charity	Balance as at 31 March 2013 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2014 £'000
EEIF	(162)	0	(4)	(2)	0	(168)
Educational Trusts	(82)	45	0	0	37	0
Guildry	(2,174)	0	(365)	(16)	21	(2,534)
Bridge of Don	(1,082)	0	(273)	(6)	3	(1,358)
Bridge of Dee	(35)	0	0	0	0	(35)
Alexander MacDonald Bequest	(32)	0	0	0	0	(32)
Aberdeen Art Gallery Trust	0	(49)	0	0	0	(49)
Lands of Skene	(922)	0	(274)	(32)	32	(1,196)
Lands of Torry	(989)	0	(45)	(127)	127	(1,034)
McBey Trust	(869)	0	0	(8)	46	(831)
Charitable Trusts	(117)	0	0	0	117	0
Miscellaneous Trusts	(17)	4	0	0	13	0
<b>Total - Charitable Trusts</b>	<b>(6,481)</b>	<b>0</b>	<b>(961)</b>	<b>(191)</b>	<b>396</b>	<b>(7,237)</b>
<b>Non Charity</b>	<b>Balance as at 31 March 2013 £'000</b>	<b>Transfer between Funds £'000</b>	<b>Revaluation of Investments £'000</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>	<b>Balance as at 31 March 2014 £'000</b>
Educational Trusts	(971)	0	(42)	(134)	134	(1,013)
Endowment Funds						
- Educational	(651)	0	(20)	(10)	1	(680)
- Social Work	(278)	0	(9)	(4)	0	(291)
Guildry	(178)	0	0	(92)	135	(135)
Arts & Heritage	(323)	36	0	(1)	214	(74)
Graveyards	0	(29)	0	0	2	(27)
Monuments	0	(7)	0	0	0	(7)
John Rickart	(55)	0	0	(1)	1	(55)
Lands of Elsieck	(3)	0	0	0	0	(3)
<b>Total - Non Charitable Trusts</b>	<b>(2,459)</b>	<b>0</b>	<b>(71)</b>	<b>(242)</b>	<b>487</b>	<b>(2,285)</b>
<b>Total</b>	<b>(8,940)</b>	<b>0</b>	<b>(1,032)</b>	<b>(433)</b>	<b>883</b>	<b>(9,522)</b>



## Investment of Funds

Charitable Trusts 2012/13 £'000	Non Charitable Trusts 2012/13 £'000	Total 2012/13 £'000		Charitable Trusts 2013/14 £'000	Non Charitable Trusts 2013/14 £'000	Total 2013/14 £'000
4,322	0	4,322	Invested in:	4,563	0	4,563
99	741	840	Land & Buildings	103	773	876
7	38	45	Equities – Listed	6	35	41
1,593	1,744	3,337	Gilt Edged Securities	2,124	1,540	3,664
400	0	400	Council Loans Fund	400	0	400
81	0	81	Other Investments	55	0	55
(21)	(64)	(85)	Debtors	(14)	(63)	(77)
			Creditors			
<b>6,481</b>	<b>2,459</b>	<b>8,940</b>		<b>7,237</b>	<b>2,285</b>	<b>9,522</b>
(4,495)	(1,985)	(6,480)	Unrestricted Funds	(4,898)	(1,782)	(6,680)
(74)	(472)	(546)	Endowment Funds	(109)	(501)	(610)
(1,912)	0	(1,912)	Designated Funds – Common Good Fund	(2,230)	0	(2,230)
0	(2)	(2)	Designated Funds – Grampian Health Board	0	(2)	(2)
<b>(6,481)</b>	<b>(2,459)</b>	<b>(8,940)</b>		<b>(7,237)</b>	<b>(2,285)</b>	<b>(9,522)</b>



Steven Whyte, CPFA  
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## Group Movement in Reserves Statement

	Total Usable Reserves (Page 34) £'000	Total Unusable Reserves (Note 12) £'000	Total Council Reserves £'000	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000	Total Reserves £'000
<b>Balance at 31 March 2012</b>	<b>(88,508)</b>	<b>(1,100,649)</b>	<b>(1,189,157)</b>	<b>313,810</b>	<b>(875,347)</b>
<b>Movement in Reserves during 2012/13</b>					
(Surplus) or deficit on provision of services *	50,241	0	50,241	26,903	77,144
Other Comprehensive Income and Expenditure *	0	32,992	32,992	54,311	87,303
<b>Total Comprehensive Income and Expenditure</b>	<b>50,241</b>	<b>32,992</b>	<b>83,233</b>	<b>81,214</b>	<b>164,447</b>
Adjustments between Group and Council accounts	0	0	0	0	0
<b>Net Increase /Decrease before Transfers</b>	<b>50,241</b>	<b>32,992</b>	<b>83,233</b>	<b>81,214</b>	<b>164,447</b>
Adjustments between accounting basis & funding basis under regulations	(98,719)	98,719	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>(48,478)</b>	<b>131,711</b>	<b>83,233</b>	<b>81,214</b>	<b>164,447</b>
Transfers to/from Earmarked Reserves & Statutory Reserves	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>(48,478)</b>	<b>131,711</b>	<b>83,233</b>	<b>81,214</b>	<b>164,447</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>(136,986)</b>	<b>(968,938)</b>	<b>(1,105,924)</b>	<b>395,024</b>	<b>(710,900)</b>
Less: Police and Fire Reserves as at 31 March 2013				(479,509)	(479,509)
<b>Restated Balance as at 1 April 2013</b>	<b>(136,986)</b>	<b>(968,938)</b>	<b>(1,105,924)</b>	<b>(84,485)</b>	<b>(1,190,409)</b>
<b>Movement in Reserves during 2013/14</b>					
(Surplus) or deficit on provision of services	21,865	0	21,865	28,125	49,990
Other Comprehensive Income and Expenditure	0	(109,062)	(109,062)	(14,632)	(123,694)
<b>Total Comprehensive Income and Expenditure</b>	<b>21,865</b>	<b>(109,062)</b>	<b>(87,197)</b>	<b>13,493</b>	<b>(73,704)</b>
Adjustments between Group & Council accounts	28,200	(109,062)	(80,862)	(28,203)	(3)
<b>Net Increase/Decrease before Transfers</b>	<b>50,065</b>	<b>(109,062)</b>	<b>(58,997)</b>	<b>(14,710)</b>	<b>(73,707)</b>
Adjustments between accounting basis & funding basis under regulations	(29,909)	29,909	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>20,156</b>	<b>(79,153)</b>	<b>(58,997)</b>	<b>(14,710)</b>	<b>(73,707)</b>
Transfers to/from Earmarked Reserves & Statutory Reserves	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>20,156</b>	<b>(79,153)</b>	<b>(58,997)</b>	<b>(14,710)</b>	<b>(73,707)</b>
<b>Balance at 31 March 2014</b>	<b>(116,830)</b>	<b>(1,048,091)</b>	<b>(1,164,921)</b>	<b>(99,195)</b>	<b>(1,264,116)</b>

\* Usable and Unusable Reserves have been restated for the changes to the requirements of IAS 19, Employee Benefits. The Council's share of Reserves of Associates includes Police and Fire.

## Group Comprehensive Income and Expenditure Statement

2012/13		2013/14		
Net Expenditure 31 March 2013 £'000	Net Expenditure 1 April 2013 £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,705	1,705	7,755	(10,871)	(3,116)
35,288	35,288	44,758	(11,509)	33,249
214,766	214,766	183,450	(11,384)	172,066
27,842	27,842	39,374	(9,002)	30,372
17,238	17,239	169,315	(148,425)	20,890
9,641	9,641	21,273	(6,850)	14,423
16,617	16,617	32,850	(14,145)	18,705
136,498	136,498	175,197	(39,627)	135,570
7,593	7,593	7,944	42	7,986
6,400	6,400	8,077	151	8,228
29,705	29,705	1,463	0	1,463
0	0	0	0	0
<b>503,293</b>	<b>503,294</b> ^	<b>691,456</b>	<b>(251,620)</b>	<b>439,836</b>
(4,320)	(4,320)	23,591	0	23,591
28,975	28,975	48,032	(17,541)	30,491
(477,355)	(477,355)	0	(444,173)	(444,173)
<b>50,593</b>	<b>50,594</b>	<b>763,079</b>	<b>(713,334)</b>	<b>49,745</b>
26,554	404 *			246
<b>77,147</b>	<b>50,998</b>			<b>49,991</b>
1,451	1,451			(37,973)
213	213			62
28,109	28,109			(84,771)
57,530	(82) *			(1,013)
<b>87,303</b>	<b>29,691</b>			<b>(123,695)</b>
<b>164,450</b>	<b>80,689</b>			<b>(73,704)</b>
^ 2012/13 figures have been restated for the changes to the requirements of IAS 19, Employee Benefits				
* 2012/13 figures have been restated to remove Police and Fire following their transfer from local to central government				

## Group Balance Sheet

	31 March 2013 £'000	1 April 2013 £'000	31 March 2014 £'000
	1,825,865	1,825,865	1,791,359
Property, Plant and Equipment (note xj)	155,872	155,872	175,629
Investment Property (note xi)	388	388	180
Intangible Assets	20,038	20,038	12,344
Long Term Investments and/or Investments in Associates and Joint Ventures	150,715	150,715	151,881
Heritage Assets	9,416	9,416	13,987
Long Term Debtors	<b>2,162,294</b>	<b>2,162,294</b>	<b>2,145,380</b>
<b>Long Term Assets</b>			
Short Term Investments	20,341	20,341	33,276
Inventories	1,912	1,912	1,937
Short Term Debtors	66,543	66,543	59,379
Cash and Cash Equivalents	38,923	38,923	21,489
Assets held for sale	5,867	5,867	2,342
<b>Current Assets</b>	<b>133,586</b>	<b>133,586</b>	<b>118,423</b>
Cash and Cash Equivalents	(306)	(306)	0
Short Term Borrowing	(118,499)	(118,499)	(109,266)
Short Term Creditors	(66,453)	(66,453)	(65,417)
Provisions	(2,929)	(2,929)	(5,899)
PPP Short Term Liabilities	(2,728)	(2,728)	(2,488)
Capital Grants Receipts in Advance	(2,529)	(2,529)	(5,223)
Revenue Grants Receipts in Advance	(1,054)	(1,054)	(1,540)
Other Short Term Liabilities	(8,682)	(8,682)	(8,009)
<b>Current Liabilities</b>	<b>(203,180)</b>	<b>(203,180)</b>	<b>(197,842)</b>
Long Term Creditors	(59)	(59)	0
Provisions	(5,511)	(5,511)	(3,584)
Long Term Borrowing	(460,805)	(460,805)	(435,192)
Liabilities in Associates and Joint Ventures	(481,474)	(1,969)	(1,201)
PPP Long Term Liabilities	(110,230)	(110,230)	(107,836)
Other Long Term Liabilities	0	0	0
Pension Liabilities	(323,723)	(323,723)	(254,032)
<b>Long Term Liabilities</b>	<b>(1,381,802)</b>	<b>(902,297)</b>	<b>(801,845)</b>
<b>Net Assets</b>	<b>710,898</b>	<b>1,190,403</b>	<b>1,264,116</b>

Group Balance Sheet

31 March 2013 £'000	1 April 2013 £'000	31 March 2014 £'000
(136,986)	(136,986)	(116,831)
(968,938)	(968,938)	(1,048,091)
17,711	17,711	30,678
377,315	(102,190)	(129,872)
<b>(710,898)</b>	<b>(1,190,403)</b>	<b>(1,264,116)</b>
	Usable Reserves	
	Unusable Reserves	
	Group - Usable Reserves	
	Group - Unusable Reserves	
	<b>Total Reserves</b>	

\* 1 April 2013 figures represent the impact of the removal of Police and Fire following their transfer from local to central government on this date.



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## Group Cash Flow

31 March 2013	1 April 2013	31 March 2014
£'000	£'000	£'000
(77,147)	(50,998)	(49,991)
165,937	139,788	148,902
(31,136)	(31,136)	(35,322)
<b>57,654</b>	<b>57,654</b>	<b>63,589</b>
(30,742)	(30,742)	(48,170)
(18,766)	(18,766)	(32,548)
<b>8,146</b>	<b>8,146</b>	<b>(17,129)</b>
30,472	30,472	38,618
<b>38,618</b>	<b>38,618</b>	<b>21,489</b>

\* 31 March 2013 has been restated for the changes to the requirements of IAS 19, Employee Benefits. 1 April 2013 figures represent the impact of the removal of Police and Fire following their transfer from local to central government on this date.

## Notes to the Group Accounts

### Note i Group Accounting Policies & Nature of Consolidation

The group accounting policies are those specified for the single entity financial statements. Where materially different, accounting policies of group members have been aligned to those of the single entity. The accounting policies of all group members are materially the same as those of the single entity, except in the following cases:

- The difference in the recognition of land and buildings by Aberdeen Sports Village (ASV). Aberdeen City Council revalues its assets at the point they become operational, while the Sports Village continues to hold them at historic cost, net of depreciation, until they are revalued as part of a 5 year cycle of revaluations, following which the accounting policy will become aligned. As at 31 March 2014, and due to the nature and age of the buildings it is anticipated that there would be no material impact of undertaking a revaluation as at the point of the assets becoming operational.
- Aberdeen Exhibition and Conference Centre Ltd, Mountwest 343 Ltd and Aberdeen Sports Village Ltd are not required to prepare their financial statements on an IFRS basis and on the grounds of materiality no consolidation adjustments have been made to the group accounts.

The Group Accounts have been prepared on the basis of a full consolidation of financial transactions and balances of the Council and its subsidiaries. This means the transactions and balances of the Council and the subsidiaries have been consolidated on a line by line basis. Associates have been incorporated using the equity method where the Council's investment in the associates is adjusted each year by the Council's share of the associate's results and other gains and losses. Joint Ventures have been incorporated using the gross equity method.

The accounting periods for all entities are from 1 April 2013 to 31 March 2014, with the exception of ASV Ltd, whose accounting year end is 31 July in line with that of its other shareholder, The University of Aberdeen. ASV Ltd has been incorporated on the basis of amalgamating data from the financial statements produced at 31 March 2013, 31 July 2013 and 31 March 2014. This means that a 12 month period of activity is incorporated into the Group Accounts.

The values stated in the Group Accounts have been adjusted for the elimination of intergroup transactions and balances including debtors and creditors.

### Note ii Disclosure of Interest in Other Entities

The Council has adopted the recommendations of Chapter 9 of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts. A full set of group accounts, in addition to the Council's accounts, has been prepared which incorporates material balances from identified subsidiaries, associates and joint ventures.

Aberdeen City Council has an interest in a number of Subsidiaries, Associate companies and a Joint Venture. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

The business combination for the Group Accounts includes Subsidiaries – Aberdeen Exhibition and Conference Centre Limited (AECC) 100%, Mountwest 343 Limited 100%, Common Good 100%, Trust Funds 100%, Sport Aberdeen 100%, Bon Accord Care and Bon Accord Support Services 100%. Included as an Associate is Grampian Valuation Joint Board 39%. The Joint Venture with the University of Aberdeen is in Aberdeen Sports Village Limited 50%.

## **Subsidiaries**

### **Aberdeen Exhibition and Conference Centre Limited (AECC)**

AECC is wholly owned and controlled by Aberdeen City Council who are represented on the board of directors. The Council holds a 100% shareholding, comprising 28,065,000 £1 ordinary shares fully paid up, in Aberdeen Exhibition and Conference Centre Limited (AECC) to conduct of exhibitions, conferences and other events.

### **Mountwest 343 Limited**

At 31 March 2014, the parent company of Mountwest 343 Limited was AECC and the ultimate parent undertaking was Aberdeen City Council who are represented on the board of directors of the holding company. The principal activity of the company was the rental of the redeveloped AECC until 31 March 2014, at which point ownership of the assets ultimately transferred to the Council.

### **Common Good**

The voting rights held by Aberdeen City Council are 100%.

The Common Good stands separate from other accounts and funds of the Council, and could be said to originate in the grant of freedom lands by King Robert the Bruce in 1319. The Common Good is corporate property and must be applied for the benefit of the community as the Council thinks fit. It is invested in land, buildings, industrial estates, and farms with any surplus being placed on cash deposit with other local authorities, building societies and the Council's Loans Fund.

### **Trust Funds**

The Council is responsible for the administration of various trusts, the proportion of voting rights held by Aberdeen City Council being 100%. They have been created by bequest or evolved through history or by public subscription and are utilised for a variety of benefits such as education and social work, charitable purposes, religious instruction, medical institutions, the upkeep of public works and also the administration of the Guildry. The money earned from the investments of the Trusts is used to provide grants, prizes and dux medals for school children and requisites for clients in Social Work homes. As well as administering the trusts, the Council is also the appointed trustee for all the trusts.

In addition to these trusts there are a number of independent trusts which are separately supported and administered by the Council e.g. the Chris Anderson Trust and various Festival trusts.

### **Sport Aberdeen**

Sport Aberdeen Limited is a charity and constitutes a limited company limited by guarantee. The principal activity of the company is the provision of recreation leisure facilities and services on behalf of Aberdeen City Council in accordance with key priorities. Although Aberdeen City Council does not own the entity, under chapter 9 of the Code the Council have determined that control representing power to govern exists through agreements in place and that Sport Aberdeen Limited appears to be operating under 'auto-pilot' as defined by SIC 12.



### **Bon Accord Care and Bon Accord Support Services**

Bon Accord Care Limited and Bon Accord Support Services Limited are private companies limited by shares which are 100% held by Aberdeen City Council. Bon Accord Care provides regulated (by the Care Inspectorate) care services to Bon Accord Support Services which in turn delivers both regulated and unregulated adult social care services to the Council.

### **Joint Ventures**

Aberdeen City Council holds a 50% share in Aberdeen Sports Village Limited (ASV), a company limited by guarantee and registered as a charity. This is a joint venture company owned equally by the Council and The University of Aberdeen. The relationship is treated as a joint venture and accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated within the Group Balance Sheet of the Council and 50% of its net income is reported in the Council's Group Income and Expenditure Accounts.

ASV Ltd was incorporated on 17 July 2007 and its objectives are to provide sports and recreational facilities, including elite sports facilities for the use of both students and staff of the University of Aberdeen and the general public, and the advancement of public participation in sport.

### **Associates**

Aberdeen City Council incorporates the following Associate in its group financial statements;

Grampian Valuation Joint Board	39%
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There is no share capital issued by the Joint Boards, and therefore the consolidation proportion was based on the level of contribution Aberdeen City Council provided to the Board.

The Grampian Valuation Joint Board was created following Local Government Re-organisation on 1 April 1996, under the Local Government (Scotland) Act 1994 and covers the local government areas of Aberdeenshire, Aberdeen City and Moray.

Until 31 March 2013 Grampian Joint Police Board and Grampian Joint Fire and Rescue Board were included as Associates. From 1 April 2013 both bodies transferred from local to central government and therefore are no longer included from this date.

### **Distribution of Reserves**

With the exception of Aberdeen Sports Village, there is no significant statutory, contractual or exchange control restrictions on the ability of an associate to distribute its reserves. Aberdeen Sports Village's reserves are mainly funded from SportsScotland and are restricted to the provision of sport in the area. As a charity unrestricted reserves may be transferred to some other charitable body or bodies whose objectives are similar to the objectives of Aberdeen Sports Village.

### **Note iii Financial Impact of Consolidation**

The effect of inclusion of the subsidiary, associate and joint venture entities on the Group Balance Sheet is to increase both Reserves and Net Assets by £99.2 million (reduction of £366.8 million in 2012/13).

**Note iv Group Entities**

The financial performance of each of the group entities included within the Group Accounts was as follows:

For the financial year 2012/13	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
<b>Subsidiaries</b>					
Aberdeen Exhibition and Conference Centre	100	100	2,364	(856)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Mountwest 343 Limited	100	100	1,210	77	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	78,165	4,312	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,026	114	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	(318)	(776)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
<b>Joint Ventures</b>					
Aberdeen Sports Village Limited	50	50	21,794	(587)	University of Aberdeen, Kings College, Old Aberdeen, AB24 3FX
<b>Associates</b>					
Grampian Joint Fire and Rescue Board	49	49	(153,545)	(9,365) *	Grampian Fire and Rescue Service, 19 North Anderson Drive, Aberdeen, AB15 6DW
Grampian Joint Police Board	48	48	(842,225)	(45,105) *	Grampian Joint Police Board, Finance Department, Woodhill House, Westburn Road, Aberdeen, AB16 5AB
Grampian Valuation Joint Board	39	39	(5,049)	(57)	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin, IV20 1BX

\* included for information only, these amounts have been removed from the restated group financial statements above, as at 1 April 2013.

For the financial year 2013/14	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
<b>Subsidiaries</b>					
Aberdeen Exhibition and Conference Centre	100	100	152	(26,719)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Mountwest 343 Limited	100	100	0	(1,210)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	99,344	1,163	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,292	(449)	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	527	844	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Care Limited	100	100	(8,195)	(8,195)	Archibald Simpson House, King Street, Aberdeen, AB24 5AA
Bon Accord Support Services Limited	100	100	(426)	(426)	Archibald Simpson House, King Street, Aberdeen, AB24 5AA
<b>Joint Ventures</b>					
Aberdeen Sports Village Limited	50	50	21,670	(201)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
<b>Associates</b>					
Grampian Valuation Joint Board	39	39	(3,080)	(372)	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin IV20 1BX

#### Note v Non-Material Interest in Other Entities

On the grounds of materiality, Aberdeen Heat and Power Limited (AH&P Ltd), the North East Transport Partnership (NESTRANS), Grampian Venture Capital Fund Ltd, Strategic Development Planning Authority and Scotland Excel have been excluded from the foregoing Group Accounts.

AH&P Ltd is a company limited by guarantee and has no share capital. Aberdeen City Council is the sole guarantor. Control of the Company rests with the Board of Directors which is independent from Aberdeen City Council. The Council is entitled to appoint 2 out of 10 directors i.e. 20% of the Board. In the event that AH&P Ltd ceases to exist the ownership of the assets would transfer to the Council. For the year ended 31 March 2014, AH&P Ltd made a profit of £217,472 (a profit of £172,784 in 2012/13) and the net assets of the company were £1,000,041 (£822,569 in 2012/13). Turnover was £2,467,086 (£2,258,374 in 2012/13). The accounts for 2013/14 are subject to audit. Copies of AH&P Ltd's accounts may be obtained from Brodies Secretarial Services Limited, 15 Atholl Crescent, Edinburgh, EH3 8HA.

NESTRANS was created under the Transport (Scotland) Act 2005 by the Scottish Government. Its aim is to develop and deliver a long term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Aberdeenshire. There are 12 members on the Board. Aberdeen City Council, Aberdeenshire Council and the Scottish Government have 4 members each. The Councils fund the Partnership on an equal basis. For 2013/14, Aberdeen City Council contributed £122,000 (£122,000 in 2012/13) towards the core costs of the organisation. The current legislative position of NESTRANS prevents it from retaining a surplus and reserves. The impact in consolidation using the equity method is therefore nil. The unaudited accounts for 2013/14 show a surplus of £2,000 (deficit of £2,000 2012/13) for the year, before taking into account amounts required by statute and non statutory proper practices to be debited or credited to the general fund balance.

Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £455,000. Aberdeen City Council holds 29.9% of the voting rights. The two other main shareholders are Aberdeenshire Council with 35.4% and Moray Council with 20.4%. As at 31 March 2013, net assets amounted to £316,812 (£315,784 in 2011/12) with a surplus for the year of £1,028 (surplus of £11,509 in 2011/12). The accounts for 2013/14 are being prepared. It is anticipated that there will be no significant changes as at March 2014. Grampian Venture Capital Fund was established in 1988 as Moray Venture Capital Fund Limited to provide development and venture capital to promote industry in the Moray area and subsequently extended across Grampian Region in late 1994.

The Strategic Development Planning Authority is a partnership between Aberdeen City and Aberdeenshire Councils. The SDPA was designated by Scottish Ministers on 25 June 2008 and is one of 4 cities-region planning authorities. The current legislative position of SPDA prevents it from retaining a surplus and reserves. In 2013/14 Aberdeen City Council contributed £82,000 (£80,000 2012/13) towards the costs of the organisations.

Scotland Excel is the Centre of Procurement Expertise for the Local Government sector in Scotland. Established in 2008, their remit is to work collaboratively with members and suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. Scotland Excel is funded by member requisitions. For 2013/14, Aberdeen City Council contributed £124,108 (£126,254 2012/13) towards the cost of these services. This represents Aberdeen City Council's share at 3.90%.

**Note vi Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure**

2012/13 £'000	2013/14 £'000
34,164	35,248
13,192	12,785
(1,480)	(875)
(9,795)	(2,018)
(7,106)	(14,649)
<b>28,975</b>	<b>30,491</b>

## Note vii Cash Flow Statement – Group Operating Activities

2012/13 £'000		2013/14 £'000
(50,998)	Net surplus or (deficit) on the provision of services	(49,991)
<b>(50,998)</b>		<b>(49,991)</b>
	<b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>	
68,197	Depreciation	70,408
80,885	Impairment, downward revaluations & non sale derecognitions	24,570
578	(Increase)/Decrease in Stock	(25)
(24,079)	(Increase)/Decrease in Debtors	352
0	Increase/(Decrease) in impairment provision for bad debts	0
(1,803)	Increase/(Decrease) in Creditors	8,319
10,428 *	Payments to Pension fund	7,373
8,939	Carrying amount of non current assets sold	38,397
0	Carrying amount of written off assets	0
(453)	Contributions to Other Reserves / Provisions	1,817
(2,953)	Movement in value of investment properties	(2,081)
0	Assets held for sale movement	0
250	Amortisation of intangible assets	208
	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	(436)
(201)		
<b>139,788</b>		<b>148,902</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
(18,150)	Receipt of Capital Grants and Contributions	(22,763)
(12,986)	Proceeds from the sale of PP&E, investment property and intangible assets	(12,559)
<b>(31,136)</b>		<b>(35,322)</b>
<b>57,654</b>	<b>Net cash flows from operating activities</b>	<b>63,589</b>
	* 2012/13 has been restated for the changes to the requirements of IAS 19, Employee Benefits and to remove Police and Fire following their transfer from local to central government	

## Note viii Cash Flow Statement – Group Investing Activities

2012/13 £'000		2013/14 £'000
(62,009)	Purchase of property, plant and equipment, investment property and intangible assets	(78,665)
130	Purchase of short term and long term investments	(4,831)
0	Other payments for investing activities	0
13,514	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12,981
(527)	Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(422)
0	Proceeds from short term and long term investments	0
18,150	Capital grants and contributions received	22,763
0	Other receipts from investing activities	4
<b>(30,742)</b>	<b>Net cash flows from investing activities</b>	<b>(48,170)</b>

## Note ix Cash Flow Statement – Group Financing Activities

2012/13 £'000		2013/14 £'000
268	Cash receipts of short term and long term borrowing	0
(24)	Other receipts from financing activities	(25)
(16,251)	Repayments of short term and long term borrowing	(29,661)
(2,717)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(2,862)
(42)	Other payments for financing activities	0
<b>(18,766)</b>	<b>Net cash flows from investing activities</b>	<b>(32,548)</b>

## Note x Cash Flow Statement – Group Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2013 £'000		31 March 2014 £'000
38	Cash held by officers	42
38,580	Bank current accounts	21,447
<b>38,618</b>	<b>Total cash and cash equivalents</b>	<b>21,489</b>

**Note xi Group Property, Plant and Equipment****Movements on Balances****Comparative Movements in 2012/13:**

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PPP Assets Included in Property, Plant & Equipment £'000
<b>Cost or Valuation</b>									
<b>At 1 April 2012</b>	<b>796,494</b>	<b>1,004,894</b>	<b>76,642</b>	<b>185,824</b>	<b>17,878</b>	<b>34,723</b>	<b>15,441</b>	<b>2,131,896</b>	<b>156,074</b>
Additions	36,163	8,750	3,883	5,286	3,481	374	4,071	62,008	0
Revaluations	(22,016)	(110,616)	0	0	0	3,413	0	(129,219)	0
Derecognition / Disposals	(4,091)	(1,354)	(8,394)	0	0	0	0	(13,839)	0
Transfers	2,320	(820)	0	0	0	806	(3,351)	(1,045)	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>808,870</b>	<b>900,854</b>	<b>72,131</b>	<b>191,110</b>	<b>21,359</b>	<b>39,316</b>	<b>16,161</b>	<b>2,049,801</b>	<b>156,074</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2012</b>	<b>(50,663)</b>	<b>(53,351)</b>	<b>(40,194)</b>	<b>(60,127)</b>	<b>0</b>	<b>(1,790)</b>	<b>0</b>	<b>(206,125)</b>	<b>(7,162)</b>
Depreciation charge	(27,488)	(23,243)	(10,744)	(6,173)	0	(550)	0	(68,198)	(4,318)
Depreciation & Impairment written out	108	40,307	0	0	0	95	0	40,510	0
Derecognition / Disposals	388	1,176	882	0	0	(4)	0	2,442	0
Transfers	11	0	7,424	0	0	0	0	7,435	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>(77,644)</b>	<b>(35,111)</b>	<b>(42,632)</b>	<b>(66,300)</b>	<b>0</b>	<b>(2,249)</b>	<b>0</b>	<b>(223,936)</b>	<b>(11,480)</b>
<b>Net Book Value</b>									
<b>At 31 March 2013</b>	<b>731,226</b>	<b>865,743</b>	<b>29,499</b>	<b>124,810</b>	<b>21,359</b>	<b>37,067</b>	<b>16,161</b>	<b>1,825,865</b>	<b>144,594</b>
<b>At 31 March 2012</b>	<b>745,831</b>	<b>951,543</b>	<b>36,448</b>	<b>125,697</b>	<b>17,878</b>	<b>32,933</b>	<b>15,441</b>	<b>1,925,771</b>	<b>148,912</b>

## Group Property, Plant and Equipment

Movements in 2013/14:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PP Assets Included in Property, Plant & Equipment £'000
<b>Cost or Valuation</b>									
<b>At 1 April 2013</b>	808,870	900,854	72,131	191,110	21,359	39,316	16,161	2,049,801	156,074
Additions	35,941	10,155	7,818	8,117	1,010	181	15,215	78,437	0
Revaluations	(23,078)	6,797	0	0	0	(2,685)	0	(18,966)	0
Derecognition / Disposals	(4,340)	(41,769)	(3,336)	0	0	(600)	0	(50,045)	0
Transfers	(1,354)	1,523	0	0	0	0	(1,523)	(1,354)	0
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>816,039</b>	<b>877,560</b>	<b>76,613</b>	<b>199,227</b>	<b>22,369</b>	<b>36,212</b>	<b>29,853</b>	<b>2,057,873</b>	<b>156,074</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2013</b>	(77,644)	(35,111)	(42,632)	(66,300)	0	(2,249)	0	(223,936)	(11,480)
Depreciation charge	(29,071)	(24,663)	(9,792)	(6,344)	0	(539)	0	(70,408)	(4,318)
Depreciation & Impairment written out	112	10,279	0	0	0	159	0	10,550	0
Derecognition / Disposals	548	13,905	2,821	0	0	6	0	17,281	0
Transfers	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>(106,055)</b>	<b>(35,590)</b>	<b>(49,603)</b>	<b>(72,644)</b>	<b>0</b>	<b>(2,623)</b>	<b>0</b>	<b>(266,513)</b>	<b>(15,798)</b>
<b>Net Book Value</b>									
<b>At 31 March 2014</b>	<b>709,984</b>	<b>841,970</b>	<b>27,010</b>	<b>126,583</b>	<b>22,369</b>	<b>33,589</b>	<b>29,853</b>	<b>1,791,360</b>	<b>140,276</b>
<b>At 31 March 2013</b>	<b>731,226</b>	<b>865,743</b>	<b>29,499</b>	<b>124,810</b>	<b>21,359</b>	<b>37,067</b>	<b>16,161</b>	<b>1,825,865</b>	<b>144,594</b>



**Note xii Investment Properties**

The following items of income and expense have been accounted for in the Group Comprehensive Income and Expenditure Statement:

	2012/13 £'000	2013/14 £'000
Rental and interest income from investment property	(9,615)	(10,303)
Expenses arising from investment property	2,693	3,542
Revaluation (gains)/losses	(2,962)	(2,322)
<b>Net (gain)/loss</b>	<b>(9,884)</b>	<b>(9,083)</b>

The following table summarises the movement in the fair value of investment properties over the year:

	2012/13 £'000	2013/14 £'000
<b>Balance at start of the year</b>	153,135	155,872
Additions:		
• Purchases	2	124
• Construction	0	0
• Subsequent expenditure	0	0
Disposals	(3,256)	(2,159)
Net gains/losses from fair value adjustments	6,480	21,792
Transfers:		
• to/from Inventories	(136)	0
• to/from Property, Plant and Equipment	(600)	0
Other changes	247	
<b>Balance at end of the year</b>	<b>155,872</b>	<b>175,629</b>

Note xiii Loans and Trading Balances with subsidiaries as at 31 March 2013 and 2014 are as follows:

	Loans		Debtors		Creditors	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
AECC	(26,200)	0	0	0	(25)	(348)
Mountwest 343 Limited	0	0	0	109	0	0
Bon Accord Care Ltd	0	(1,387)	0	0	0	0
Bon Accord Support Services Ltd	0	(830)	0	0	0	0
Sport Aberdeen *	(2,630)	(2,800)	0	0	0	0
Common Good	(2,866)	(2,653)	0	0	0	0
Trust Funds	(3,161)	(3,472)	0	0	0	0
	<b>(34,857)</b>	<b>(11,142)</b>	<b>0</b>	<b>109</b>	<b>(25)</b>	<b>(348)</b>

\* figures included following a review of note requirements

#### Note xiv Operating Expenditure and Income of the Subsidiaries

The operating expenditure and income of the subsidiaries have been included within Education, Cultural and Related, Planning and Development, Housing and Social Work Services, and Corporate & Democratic Core.

**Note xv Share of Operating (surplus)/deficit, Total assets and liabilities of Joint Ventures and Associates**

Analysis of operating results and balance sheet of Joint Ventures and Associates

2012/13	Share of Operating (surplus)/deficit £'000	Total Assets £'000	Total Liabilities £'000	Net Assets/Liabilities £'000
<b>Associates</b>				
Grampian Joint Fire and Rescue Board *	4,588	30,288	(105,525)	(75,237)
Grampian Joint Police Board *	21,650	32,220	(436,488)	(404,268)
Grampian Valuation Joint Board	22	504	(2,473)	(1,969)
<b>Associates Total</b>	<b>26,260</b>	<b>63,012</b>	<b>(544,486)</b>	<b>(481,474)</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	294	22,314	(11,417)	10,897
<b>Joint Ventures Total</b>	<b>294</b>	<b>22,314</b>	<b>(11,417)</b>	<b>10,897</b>
* included for information only, these amounts have been removed from the restated group financial statements above.				
2013/14				
<b>Associates</b>				
Grampian Valuation Joint Board	145	591	(1,792)	(1,201)
<b>Associates Total</b>	<b>145</b>	<b>591</b>	<b>(1,792)</b>	<b>(1,201)</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	101	24,063	(13,228)	10,835
<b>Joint Ventures Total</b>	<b>101</b>	<b>24,063</b>	<b>(13,228)</b>	<b>10,835</b>

#### **Note xvi Pension Costs**

**Aberdeen City Council (ACC)** participates in the Local Government Pension Scheme administered by the Scottish Government. Aberdeen City Council acts as an administering authority for the Local Government Pension Scheme. Both schemes are defined benefit schemes based on final pensionable salary.

#### **Subsidiaries**

**Aberdeen Exhibition and Conference Centre Limited (AECC)** operates a defined contribution pension scheme for employees where assets of the scheme are held separately from those of the Group. Contributions are charged to the Income and Expenditure Account as they become payable in accordance with the rules of the scheme. The pension costs for the year are £169,780 (£167,973 in 2012/13).

**Sport Aberdeen Limited (SA)** participates, as an admitted body, in the North East Scotland Pension Fund, a Local Government Pension Scheme which provides benefits based on final pensionable pay.

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. The pension deficit for the year is £1,266,000 (£1,796,000 in 2012/13).

**Bon Accord Care (BAC) and Bon Accord Support Services (BASS)** participate as admitted bodies, in the North East Scotland Pension Fund, a Local Government Pension Scheme which provides benefits based on final pensionable pay.

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. The pension deficit for the year is £8,195,000 and £42,000 respectively.

#### **Joint Ventures**

**Aberdeen Sports Village Limited (ASV Ltd)** participates, as an admitted body, in the Aberdeen City Council Pension Fund, which is part of the Local Government Pension Scheme. It is a defined benefit scheme however it is closed to new members, and therefore only covers individuals who transferred to the company when it became operational.

Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. As a result ASV Ltd is unable to identify its relevant share of the underlying assets and liabilities in the Fund. It is therefore accounted for as a defined contribution scheme and payments made to the Pension Fund in the year are included in the Income and Expenditure Account. The pension costs for the year are £23,906 (£38,663 in 2012/13).

**Associates**

Grampian Valuation Joint Board participates in the Local Government Pension Scheme administered by ACC.

**Share of Associates Pension Interest Costs and Expected Return on Pension Assets**

	2012/13 £'000	2013/14 £'000
Grampian Joint Fire and Rescue Board *	4,220	-
Grampian Joint Police Board *	17,868	-
Grampian Valuation Joint Board	94	97
<b>Total</b>	<b>22,182</b>	<b>97</b>

\* included for information only, these amounts have been removed from the restated group financial statements above, as at 1 April 2013..

**Note xvii Net Pension Liabilities**

ACC share of pension liabilities of the Joint Boards are shown as below. These have been accounted for under IAS 19 'Post Employment Benefits'.

	2012/13 £'000	2013/14 £'000
ACC	(321,927)	(244,529)
Share of Associates		
Grampian Joint Fire and Rescue Board *	(94,086)	-
Grampian Joint Police Board *	(402,255)	-
Grampian Valuation Joint Board	(2,312)	(1,563)
<b>Total</b>	<b>(820,580)</b>	<b>(246,092)</b>

\* included for information only, these amounts have been removed from the restated group financial statements above, as at 1 April 2013.

### **Independent auditor's report to the members of Aberdeen City Council and the Accounts Commission for Scotland**

I certify that I have audited the financial statements of Aberdeen City Council and its group for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, National Non-domestic Rates Accounts, Council Tax Income Accounts, Common Good, the Trust Funds and Endowments and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the 2013/14 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

#### **Respective responsibilities of the Head of Finance and auditor**

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

#### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2013/14 Code of the state of the affairs of the group and of Aberdeen City Council as at 31 March 2014 and of the income and expenditure of the group and the council for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

**Opinion on other prescribed matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



Stephen Boyle CPFA  
Assistant Director of Audit  
Audit Scotland  
4th Floor South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

30 September 2014

**Glossary of Terms**

**Revenue Expenditure:** This is expenditure incurred in providing services in the current year and which benefits that year only.

**Capital Expenditure:** This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally finance by borrowing over a period of years, or utilising income from the sale of existing assets.

**CIPFA:** The Chartered Institute of Public Finance and Accountancy.

**COSLA:** Convention of Scottish Local Authorities

**LASAAC:** The Local Authority (Scotland) Accounts Advisory Committee.

**SeRCOP:** CIPFA's Service Reporting Code of Practice 2012/13.

**PWLB:** Public Works Loans Board, a Government agency that provides loans to the Council.

**IFRS:** International Financial Reporting Standards.

**IAS:** International Accounting Standard.

**OSCR:** Office of the Scottish Charity Regulator







**Aberdeen City Council  
Charitable Trusts**

Annual Report and Financial Statements

For the year ended  
31 March 2014

Registered Numbers:

Guildry - SC011857  
Bridge of Don Fund - SC018551  
Alexander MacDonald's Bequest - SC018568  
Bridge of Dee Fund - SC021297  
Aberdeen Art Gallery Trusts - SC018575

THE UNIVERSITY OF CHICAGO  
DEPARTMENT OF CHEMISTRY  
5800 S. UNIVERSITY AVENUE  
CHICAGO, ILLINOIS 60637  
TEL: 773-936-5000  
WWW.CHEM.UCHICAGO.EDU

## **Trustees Annual Report 2013/14 – Aberdeen City Council Charitable Trusts**

This report relates to the charitable trusts administered by Aberdeen City Council.

### **Reference and administration details**

The charity names, charity numbers, purposes of the charities, and where available details of governing document for the charities covered by this report are given on page 5 of this document.

The principal address for all these charities is Aberdeen City Council, Town House, Broad Street, Aberdeen AB10 1AH.

The Secretary of these Trusts is Jane MacEachran, Head of Legal & Democratic Services, Aberdeen City Council and the Treasurer is Steven Whyte, Head of Finance, Aberdeen City Council.

The Trustees are the Councillors of Aberdeen City Council, and are as follows:-

Lord Provost George Adam (Chairperson)	Councillor James Kiddie
Councillor Yvonne Allan	Councillor Jenny Laing
Councillor Kirsty Blackman	Councillor Graeme Lawrence
Councillor Marie Boulton	Councillor Neil MacGregor
Councillor David Cameron	Councillor M. Tauqeer Malik
Councillor Scott Carle	Councillor Aileen Malone
Councillor Neil Cooney	Councillor Andrew May
Councillor John Corall	Councillor Callum McCaig
Councillor Bill Cormie	Councillor Ramsay Milne
Councillor Barney Crockett	Councillor Jean Morrison MBE
Councillor Steve Delaney	Councillor Nathan Morrison
Councillor Graham Dickson	Councillor Jim Noble
Councillor Alan Donnelly	Councillor John Reynolds
Councillor Jackie Dunbar	Councillor Gill Samarai
Councillor Lesley Dunbar	Councillor Jennifer Stewart
Councillor Andrew Finlayson	Councillor Sandy Stuart
Councillor Fraser Forsyth	Councillor Angela Taylor
Councillor Gordon Graham	Councillor Ross Thomson
Councillor Ross Grant	Councillor Gordon Townson
Councillor Martin Greig	Councillor Willie Young
Councillor Len Ironside CBE	Councillor Ian Yuill
Councillor Muriel Jaffrey	

All Trustees have served for the whole of the financial year to 31 March 2014.

The Auditor is Stephen Boyle, Assistant Director, Audit Scotland, 4<sup>th</sup> Floor South Suite, 8 Nelson Mandela Place, Glasgow G2 1BT.

## **Structure, governance and management**

The type of governing document has been shown on page 5 where available but the venerable nature of some of the trusts has made this difficult to provide in all cases.

The Trustees are elected in the course of the Local Authority elections, and new members are supplied with training as part of their induction process.

The positions of Secretary and Treasurer are filled by professionally qualified officers of Aberdeen City Council.

## **Objectives and activities**

In the information given in Appendix 1, the charitable purposes of each Trust have been provided.

In general the charities activities are limited to the accrual of income from investments, which are remitted to appropriate organisations for further disbursement or use as appropriate given the purposes of the charity.

## **Future plans**

In August 2013 Aberdeen City Council approved a report on the reorganisation of the majority of small charitable trusts administered by the Council. These small charitable trusts were reorganised by the transfer of funds to another larger charity with the same charitable purposes.

A further report in December 2013 was approved for the reorganisation of a second tranche of trusts which were all held within a holding charitable trust - Aberdeen City Council Charitable Trusts. These small charitable trusts have approval for re-organisation by OSCR for the transfer of funds to another larger charity with the same charitable purposes.

Applications to reorganise trusts per these reports were submitted to OSCR prior to 31 March 2014 and then these trusts were subsequently removed from the Register of Scottish Charities and the remaining funds distributed to active charities.

Aberdeen Art Gallery Trust, a long established but inactive trust was reorganised by the adoption of a new trust deed in December 2013 and funds were passed into this trust from a number of charitable trusts related to the Aberdeen Art Gallery that were themselves reorganised as they were of a level that made them economically inefficient given the current costs of administering a registered charity. These funds are shown as voluntary funds in the Statement of Financial Activities.

Further reorganisation work is ongoing, including the drafting of a revised constitution for the Guildry.

The majority of the charitable trusts subject to re-organisation have governance costs associated with the legislative requirements of operating a modern charity, often in excess of the annual income of the trust leaving very little income to be used for charitable purposes.

### **Financial Review**

The attached accounts show the income and expenditure for the individual charities along with the surplus or deficit for the year. None of the individual charities are carrying forward a deficit on their reserves.

Where Governance Costs are allocated to charities these are in proportion to the value of the sums invested with the Council and are based on time spent by officers of Aberdeen City Council providing financial and other support to the organisations.

The investment policy of the Trust is to invest any surplus monies in Aberdeen City Council Loans Fund.

### **Trustee's induction and training**

Councillors are provided with training on trustee duties as part of their councillor induction.

## STATEMENT OF THE TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The Trustees are responsible for preparing the Trustees' report and the accounts and in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Trust's financial activities during the year and of its financial position at the end of the year. In preparing financial statements, giving a true and fair view, the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statement of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and which enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006 and the provisions of the Trust Deed. The Trustees are also responsible for safeguarding the assets of the charities and hence for taking reasonable steps for the prevention or detection of fraud and other irregularities.

Signed on behalf of the charities on 30 September 2014.

..... Trustee



CHARITY NAME, NUMBER AND PURPOSE

CHARITY NAME	CHARITY NUMBER	PURPOSE	GOVERNING DOCUMENT
Guildry Funds	SC011857	Support the Historic Guildry Activities	
Bridge of Don Fund	SC018551	Upkeep of Bridge	
Alexander MacDonald's Bequest	SC018568	Purchase of Works of Art for Aberdeen Art Gallery 11 December 1882	Trust Deed 11 December 1882
Aberdeen Art Gallery Trusts	SC018575	For the purposes of the Art Gallery	
Bridge of Dee Fund	SC021297	Upkeep of Bridge	

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2014**


Charity name	Guildry SC011857		
Charity number	2014	2013	
	£	£	
<b>Incoming resources</b>	<u>Note</u>		
Incoming resources from generated funds			
Voluntary income	3	441	493
Investment Income	4	15,908	29,994
Total incoming resources		<u>16,349</u>	<u>30,487</u>
<b>Resources expended</b>			
Charitable activities	5	5,648	5,462
Governance costs	6	15,187	13,711
Total resources expended		<u>20,835</u>	<u>19,173</u>
Net incoming/(outgoing) resources before other recognised gains and losses		<u>(4,486)</u>	<u>11,314</u>
<b>Other recognised gains/(losses)</b>			
Gains/(losses) on investment assets		364,924	45,820
Net movement in funds		<u>360,438</u>	<u>57,134</u>
<b>Reconciliation of funds</b>			
Total funds brought forward		<u>2,174,363</u>	<u>2,117,229</u>
Total funds carried forward		<u>2,534,801</u>	<u>2,174,363</u>

**BALANCE SHEET AS AT 31 MARCH**

<b>Fixed assets</b>			
Investments	7	1,594,388	1,229,464
Total fixed assets		<u>1,594,388</u>	<u>1,229,464</u>
<b>Current assets</b>			
Stocks and work-in-progress		1,407	1,664
Debtors	8	3,760	8,618
Investments - City of Aberdeen Loans Fund	9	540,073	537,184
Cash at bank - Guildry Investment Account		400,000	400,000
Total current assets		<u>945,240</u>	<u>947,466</u>
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	10	(4,827)	(2,567)
Net current assets/(liabilities)		<u>940,413</u>	<u>944,899</u>
<b>Net asset/(liabilities )</b>		<u>2,534,801</u>	<u>2,174,363</u>
<b>The funds of the charity</b>			
Unrestricted funds		2,534,801	2,174,363
<b>Total charity funds</b>		<u>2,534,801</u>	<u>2,174,363</u>

These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the trustees on 30th September 2014 and signed on their behalf by:


.....Trustee

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2014**

Charity name		Bridge of Don Fund	
Charity number		SC018551	
		2014	2013
		£	£
<b>Incoming resources</b>			
Incoming resources from generated funds			
	3	-	-
	4	6,155	11,317
		<u>6,155</u>	<u>11,317</u>
<b>Resources expended</b>			
	5	-	-
	6	2,207	1,827
		<u>2,207</u>	<u>1,827</u>
Net incoming/(outgoing) resources before other recognised gains and losses		<u>3,948</u>	<u>9,490</u>
<b>Other recognised gains/(losses)</b>			
Gains/(losses) on investment assets		273,293	34,365
Net movement in funds		<u>277,241</u>	<u>43,855</u>
<b>Reconciliation of funds</b>			
Total funds brought forward		1,082,364	1,038,509
Total funds carried forward		<u>1,359,605</u>	<u>1,082,364</u>
<b>BALANCE SHEET AS AT 31 MARCH</b>			
<b>Fixed assets</b>			
	7	1,195,791	922,498
		<u>1,195,791</u>	<u>922,498</u>
<b>Current assets</b>			
Stocks and work-in-progress			
	8	-	-
	9	164,414	160,189
		-	-
		<u>164,414</u>	<u>160,189</u>
<b>Liabilities</b>			
Creditors: Amounts falling due within one year		(600)	(323)
Net current assets/(liabilities)		<u>163,814</u>	<u>159,866</u>
Net asset/(liabilities)		<u>1,359,605</u>	<u>1,082,364</u>
<b>The funds of the charity</b>			
Unrestricted income funds:			
		1,359,605	1,082,364
		<u>1,359,605</u>	<u>1,082,364</u>
Total charity funds		<u>1,359,605</u>	<u>1,082,364</u>

These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the trustees on 30th September 2014 and signed on their behalf by:

.....Trustee

STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2014

		Alexander MacDonald's Bequest SC018568	
		2014	2013
		£	£
Charity name			
Charity number			
	<u>Note</u>		
<b>Incoming resources</b>			
Incoming resources from generated funds			
Voluntary income	3	-	-
Investment Income	4	323	419
		<u>323</u>	<u>419</u>
<b>Resources expended</b>			
Charitable activities	5	-	-
Governance costs	6	366	647
		<u>366</u>	<u>647</u>
Net incoming/(outgoing) resources before other recognised gains and losses		<u>(43)</u>	<u>(228)</u>
<b>Other recognised gains/(losses)</b>			
Gains/(losses) on investment assets		-	-
Net movement in funds		<u>(43)</u>	<u>(228)</u>
<b>Reconciliation of funds</b>			
Total funds brought forward		<u>32,317</u>	<u>32,545</u>
Total funds carried forward		<u>32,274</u>	<u>32,317</u>
<b>BALANCE SHEET AS AT 31 MARCH</b>			
	<u>Note</u>		
<b>Fixed assets</b>			
Investments	7	-	-
		<u>-</u>	<u>-</u>
<b>Current assets</b>			
Stocks and work-in-progress		-	-
Debtors	8	-	-
Investments - City of Aberdeen Loans Fund	9	32,384	32,640
Cash at bank - Guildry Investment Account		-	-
		<u>32,384</u>	<u>32,640</u>
Total current assets		<u>32,384</u>	<u>32,640</u>
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	10	(110)	(323)
		<u>32,274</u>	<u>32,317</u>
Net current assets/(liabilities)		<u>32,274</u>	<u>32,317</u>
<b>Net asset/(liabilities)</b>		<u>32,274</u>	<u>32,317</u>
<b>The funds of the charity</b>			
Unrestricted income funds:			
Unrestricted funds		32,274	32,317
		<u>32,274</u>	<u>32,317</u>
Total unrestricted funds		<u>32,274</u>	<u>32,317</u>
<b>Total charity funds</b>		<u>32,274</u>	<u>32,317</u>

These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the trustees on 30th September 2014 and signed on their behalf by:

.....Trustee

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2014**

Charity name		<b>Bridge of Dee Fund</b>	
Charity number		<b>SC021297</b>	
		<b>Total Funds 2014 £</b>	<b>Total Funds 2013 £</b>
<b>incoming resources</b>			
	<u>Note</u>		
Incoming resources from generated funds			
Voluntary income	3	-	-
Investment Income	4	346	449
		<u>346</u>	<u>449</u>
Total incoming resources			
<b>Resources expended</b>			
Charitable activities	5	-	-
Governance costs	6	399	671
		<u>399</u>	<u>671</u>
Total resources expended			
Net incoming/(outgoing) resources before other recognised gains and losses			
		<u>(53)</u>	<u>(222)</u>
<b>Other recognised gains/(losses)</b>			
Gains/(losses) on investment assets		-	-
Net movement in funds		<u>(53)</u>	<u>(222)</u>
<b>Reconciliation of funds</b>			
Total funds brought forward		<u>34,657</u>	<u>34,879</u>
Total funds carried forward		<u>34,604</u>	<u>34,657</u>
<b>BALANCE SHEET AS AT 31 MARCH</b>			
	<u>Note</u>		
<b>Fixed assets</b>			
investments	7	-	-
		<u>-</u>	<u>-</u>
Total fixed assets			
<b>Current assets</b>			
Stocks and work-in-progress		-	-
Debtors	8	-	-
Investments - City of Aberdeen Loans Fund	9	34,724	34,980
Cash at bank - Guildry Investment Account		-	-
		<u>34,724</u>	<u>34,980</u>
Total current assets			
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	10	(120)	(323)
		<u>34,604</u>	<u>34,657</u>
Net current assets/(liabilities)			
		<u>34,604</u>	<u>34,657</u>
Net asset/(liabilities )			
		<u>34,604</u>	<u>34,657</u>
<b>The funds of the charity</b>			
Unrestricted income funds:			
Unrestricted funds		<u>34,604</u>	<u>34,657</u>
		<u>34,604</u>	<u>34,657</u>
Total unrestricted funds			
		<u>34,604</u>	<u>34,657</u>
Total charity funds			
		<u>34,604</u>	<u>34,657</u>

These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the trustees on 30th September 2014 and signed on their behalf by:

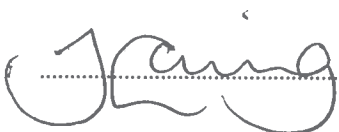
.....Trustee

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2014**

		<b>Aberdeen Art Gallery Trusts SC018575</b>	
		<b>Total Funds 2014 £</b>	<b>Total Funds 2013 £</b>
Charity name			
Charity number			
	<u>Note</u>		
<b>Incoming resources</b>			
Incoming resources from generated funds			
Voluntary income	3	49,329	-
Investment Income	4	493	-
Total incoming resources		49,822	-
<b>Resources expended</b>			
Charitable activities	5	3,364	-
Governance costs	6	663	-
Total resources expended		4,027	-
Net incoming/(outgoing) resources before other recognised gains and losses		45,795	-
<b>Other recognised gains/(losses)</b>			
Gains/(losses) on investment assets		-	-
Net movement in funds		45,795	-
<b>Reconciliation of funds</b>			
Total funds brought forward		-	-
Total funds carried forward		45,795	-
<b>BALANCE SHEET AS AT 31 MARCH</b>			
	<u>Note</u>		
<b>Fixed assets</b>			
Investments	7	-	-
Total fixed assets		-	-
<b>Current assets</b>			
Stocks and work-in-progress		-	-
Debtors	8	-	-
Investments - City of Aberdeen Loans Fund	9	45,965	-
Cash at bank - Guildry Investment Account		-	-
Total current assets		45,965	-
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	10	(170)	-
Net current assets/(liabilities)		45,795	-
Net asset/(liabilities)		45,795	-
<b>The funds of the charity</b>			
Unrestricted income funds:			
Unrestricted funds		45,795	-
Total unrestricted funds		45,795	-
Total charity funds		45,795	-

These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the trustees on 30th September 2014 and signed on their behalf by:

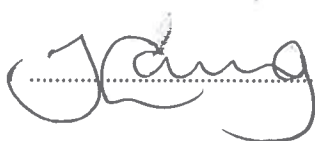
 Trustee

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2014**

Charity name		Total	
Charity number		2014	2013
	Note	£	£
<b>Incoming resources</b>			
Incoming resources from generated funds			
Voluntary income	3	49,770	493
Investment Income	4	23,225	42,179
Total incoming resources		<u>72,995</u>	<u>42,672</u>
<b>Resources expended</b>			
Charitable activities	5	9,012	5,462
Governance costs	6	18,822	16,856
Total resources expended		<u>27,834</u>	<u>22,318</u>
Net incoming/(outgoing) resources before other recognised gains and losses		<u>45,161</u>	<u>20,354</u>
<b>Other recognised gains/(losses)</b>			
Gains/(losses) on investment assets		638,217	80,185
Net movement in funds		<u>683,378</u>	<u>100,539</u>
<b>Reconciliation of funds</b>			
Total funds brought forward		3,323,701	3,223,162
Total funds carried forward		<u>4,007,079</u>	<u>3,323,701</u>
<b>BALANCE SHEET AS AT 31 MARCH</b>			
<b>Fixed assets</b>			
Investments	7	2,790,179	2,151,962
Total fixed assets		<u>2,790,179</u>	<u>2,151,962</u>
<b>Current assets</b>			
Stocks and work-in-progress		1,407	1,664
Debtors	8	3,760	8,618
Investments - City of Aberdeen Loans Fund	9	817,560	764,993
Cash at bank - Guildry Investment Account		400,000	400,000
Total current assets		<u>1,222,727</u>	<u>1,175,275</u>
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	10	(5,827)	(3,536)
Net current assets/(liabilities)		<u>1,216,900</u>	<u>1,171,739</u>
<b>Net asset/(liabilities )</b>		<u>4,007,079</u>	<u>3,323,701</u>
<b>The funds of the charity</b>			
Unrestricted income funds:			
Revaluation reserve		-	-
Total unrestricted funds		<u>4,007,079</u>	<u>3,323,701</u>
<b>Total charity funds</b>		<u>4,007,079</u>	<u>3,323,701</u>

These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the trustees on 30th September 2014 and signed on their behalf by:

.....Trustee

## **1 - Accounting Policies**

### **Accounting Convention**

The accounts are prepared under the historical cost convention, and include the results of the Trusts' operations, all of which are continuing.

The accounts have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005) issued in March 2005, and comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

### **Going Concern**

The accounts have been prepared under the going concern concept on the basis that Trustees have considered it and are satisfied that the going concern concept is appropriate.

### **Recognition of Revenue and Expenditure**

All income and expenditure due to be paid or received in respect of the year ended 31 March 2014 has been provided for within these accounts.

### **Incoming Resources**

Incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. All incoming resources are in relation to unrestricted funds.

Income from investments is included in the Statement of Financial Activities in the year in which it is receivable.

### **Resources Expended**

Liabilities are recognised when the charity has an obligation to make payment to a third party.

Resources expended are included in the Statement of Financial Activities on an accruals basis inclusive of any irrecoverable VAT.

Expenditure is directly attributed to the relevant category in the Statement of Financial Activities where practical. Other expenditure is allocated on a pro-rata basis on the basis of the size of the fund.



## **1 - Accounting Policies (cont'd)**

### **Resources Expended (cont'd)**

Governance costs include those costs incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

### **Funds**

Unrestricted funds include incoming resources receivable or generated for the objects of the charity without specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the directors.

### **Taxation**

The Trusts are recognised by HM Revenue and Customs as charities and as a consequence of the tax reliefs available, income is not liable to taxation.

### **Investments**

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

### **Trustee Remuneration and Staff Costs**

The Trusts have no employees. None of the Trustees received any remuneration for their services, nor were they reimbursed for any expenses during the year.

### **Interest and Management Charges**

Interest and Management Charges are not treated as Debtors/Creditors but are treated as adjustments within the balances held by the Aberdeen City Council Loans Fund.

Interest is applied to the charity accounts gross of income tax based on an annual interest rate received from banks on funds invested by Aberdeen City Council on behalf of the charities during the year.

Management charges are 1% of the loans fund held at the start of the year where the balance is over £500.

### **Stock Policy**

Stock consists of goods purchased for distribution to new members on their entry to the Guildry. Stocks are valued at the lower of cost or net realisable value.

Charity name  
Charity number

Guildry  
SC011857

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014

	2014 £	2013 £		
2 AUDIT FEES (included with Governance Costs)				
Audit fee	1,875	-		
	<u>1,875</u>	<u>0</u>		
3 VOLUNTARY INCOME				
Donations and gifts	441	493		
	<u>441</u>	<u>493</u>		
4 INVESTMENT INCOME				
Interest receivable	9,830	17,486		
Share of lands free revenue	6,078	12,508		
	<u>15,908</u>	<u>29,994</u>		
5 CHARITABLE ACTIVITIES				
Donations and expenditures	5,648	5,462		
	<u>5,648</u>	<u>5,462</u>		
6 GOVERNANCE COSTS				
Accounting and administration	13,363	12,704		
Audit Fee / Independent Examiner Fee	1,824	1,007		
	<u>15,187</u>	<u>13,711</u>		
7 INVESTMENTS HELD AS FIXED ASSETS				
Investment in Land of Skene:-				
Market value at 1st April 2013 and 2012				
Net investment gains/(losses) on revaluation	1,229,464	1,183,644		
Market value at 31st March 2014 and 2013	364,924	45,820		
	<u>1,594,388</u>	<u>1,229,464</u>		
<p>Lands of Skene is a charity which owns an area of land known as the Lands of Skene. The Guildry Fund, Common Good Fund and Bridge of Don Fund each invested financially in the Lands of Skene and as a result are entitled to recognise a share of the total assets less current liabilities of this charity, being calculated in proportion to the initial amount invested by each, as an investment on their respective Balance Sheets.</p>				
8 DEBTORS				
Composition from Entering Burgesses	300	300		
Prepayments & accrued income	3,460	8,318		
	<u>3,760</u>	<u>8,618</u>		
9 INVESTMENTS HELD AS CURRENT ASSETS				
City of Aberdeen loan funds	540,073	537,184		
	<u>540,073</u>	<u>537,184</u>		
<p>The trustees have invested the free reserves of each of the charities in the City of Aberdeen loan funds in order to earn interest for the benefit of each charity. The loan funds is a cash investment and is stated at market value at the Balance</p>				
10 CREDITORS: Amounts falling due within one year				
Accruals and deferred income	4,827	2,567		
	<u>4,827</u>	<u>2,567</u>		
11 ANALYSIS OF NET ASSETS IN FUNDS				
	Tangible fixed assets	Current assets/ (liabilities)		
	£	£	£	£
Unrestricted funds	1,594,388	940,413	2,534,801	2,174,363
12 CONTROLLING INTEREST				
Each charity is under the control of its trustees.				
13 RELATED PART TRANSACTIONS				
Aberdeen City Council provides the accounting services for the trust for which a management fee is charged.			9,770	9,577
<p>The trust also has funds deposited with Aberdeen City Loans Fund as detailed in note 9</p>				

Charity name  
Charity number

Bridge of Don Fund  
SC018551

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014

2014  
£

2013  
£

2	AUDIT FEES (included with Governance Costs)				
	Audit fee		600	-	
			<u>600</u>	<u>0</u>	
3	VOLUNTARY INCOME				
	Donations and gifts		-	-	
			<u>-</u>	<u>-</u>	
4	INVESTMENT INCOME				
	Interest receivable		1,597	1,936	
	Share of lands free revenue		4,558	9,381	
			<u>6,155</u>	<u>11,317</u>	
5	CHARITABLE ACTIVITIES				
	Donations and expenditures		-	-	
			<u>-</u>	<u>-</u>	
6	GOVERNANCE COSTS				
	Accounting and administration		1,599	1,504	
	Audit Fee / Independent Examiner Fee		608	323	
			<u>2,207</u>	<u>1,827</u>	
7	INVESTMENTS HELD AS FIXED ASSETS				
	Investment in Land of Skene:-				
	Market value at 1st April 2013 and 2012		922,498	888,133	
	Net investment gains/(losses) on revaluation		273,293	34,365	
	Market value at 31st March 2014 and 2013		<u>1,195,791</u>	<u>922,498</u>	
	Lands of Skene is a charity which owns an area of land known as the Lands of Skene. The Guildry Fund, Common Good Fund and Bridge of Don Fund each invested financially in the Lands of Skene and as a result are entitled to recognise a share of the total assets less current liabilities of this charity, being calculated in proportion to the initial amount invested by each, as an investment on their respective Balance Sheets.				
8	DEBTORS				
	Composition from Entering Burgesses		-	-	
	Prepayments & accrued income		-	-	
			<u>-</u>	<u>-</u>	
9	INVESTMENTS HELD AS CURRENT ASSETS				
	City of Aberdeen loan funds		164,414	160,189	
			<u>164,414</u>	<u>160,189</u>	
	The trustees have invested the free reserves of each of the charities in the City of Aberdeen loan funds in order to earn interest for the benefit of each charity. The loan funds is a cash investment and is stated at market value at the Balance Sheet date.				
10	CREDITORS: Amounts falling due within one year				
	Accruals and deferred income		600	323	
			<u>600</u>	<u>323</u>	
11	ANALYSIS OF NET ASSETS IN FUNDS				
		Tangible fixed assets	Current assets/ (liabilities)	Total	Total
		£	£	£	£
	Unrestricted funds	1,195,791	163,814	1,359,605	1,082,364
12	CONTROLLING INTEREST				
	Each charity is under the control of its trustees.				
13	RELATED PART TRANSACTIONS				
	Aberdeen City Council provides the accounting services for the trust for which a management fee is charged.		1,599	1,504	
			<u>1,599</u>	<u>1,504</u>	
	The trust also has funds deposited with Aberdeen City Loans Fund as detailed in note 9				

Charity name  
Charity number

Alexander MacDonald's  
Bequest  
SC018568

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014

2014                      2013  
£                                      £

2 AUDIT FEES (included with Governance Costs)  
Audit fee

110	-
<u>110</u>	<u>0</u>

3 VOLUNTARY INCOME  
Donations and gifts

-	-
<u>-</u>	<u>-</u>

4 INVESTMENT INCOME

Interest receivable  
Share of lands free revenue

323	419
-	-
<u>323</u>	<u>419</u>

5 CHARITABLE ACTIVITIES  
Donations and expenditures

-	-
<u>-</u>	<u>-</u>

6 GOVERNANCE COSTS

Accounting and administration  
Audit Fee / Independent Examiner Fee

323	325
43	322
<u>366</u>	<u>647</u>

7 INVESTMENTS HELD AS FIXED ASSETS

Investment in Land of Skene:-  
Market value at 1st April 2013 and 2012  
Net investment gains/(losses) on revaluation  
Market value at 31st March 2014 and 2013

-	-
-	-
<u>-</u>	<u>-</u>

Lands of Skene is a charity which owns an area of land known as the Lands of Skene. The Guildry Fund, Common Good Fund and Bridge of Don Fund each invested financially in the Lands of Skene and as a result are entitled to recognise a share of the total assets less current liabilities of this charity, being calculated in proportion to the initial

8 DEBTORS

Composition from Entering Burgesses  
Prepayments & accrued income

-	-
-	-
<u>-</u>	<u>-</u>

9 INVESTMENTS HELD AS CURRENT ASSETS

City of Aberdeen loan funds

32,384	32,640
<u>32,384</u>	<u>32,640</u>

The trustees have invested the free reserves of each of the charities in the City of Aberdeen loan funds in order to earn interest for the benefit of each charity. The loan funds is a cash investment and is stated at market value at the Balance Sheet date.

10 CREDITORS: Amounts falling due within one year

Accruals and deferred income

110	323
<u>110</u>	<u>323</u>

11 ANALYSIS OF NET ASSETS IN FUNDS

	Tangible fixed assets £	Current assets/ (liabilities) £	Total £	Total £
Unrestricted funds	-	32,274	32,274	32,317

12 CONTROLLING INTEREST

Each charity is under the control of its trustees.

13 RELATED PART TRANSACTIONS

Aberdeen City Council provides the accounting services for the

323	325
-----	-----

The trust also has funds deposited with Aberdeen City Loans Fund as detailed in note 9

Charity name  
Charity number

Bridge of Dee Fund  
SC021297

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014

2014      2013  
£            £

2 AUDIT FEES (included with Governance Costs)

Audit fee

120	-
<u>120</u>	<u>0</u>

3 VOLUNTARY INCOME

Donations and gifts

-	-
<u>-</u>	<u>-</u>

4 INVESTMENT INCOME

Interest receivable

346      449

Share of lands free revenue

-	-
<u>346</u>	<u>449</u>

5 CHARITABLE ACTIVITIES

Donations and expenditures

-	-
<u>-</u>	<u>-</u>

6 GOVERNANCE COSTS

Accounting and administration

346      349

Audit Fee / Independent Examiner Fee

53	322
<u>399</u>	<u>671</u>

7 INVESTMENTS HELD AS FIXED ASSETS

Investment in Land of Skene:-

Market value at 1st April 2013 and 2012

-      -

Net investment gains/(losses) on revaluation

-      -

Market value at 31st March 2014 and 2013

-	-
<u>-</u>	<u>-</u>

Lands of Skene is a charity which owns an area of land known as the Lands of Skene. The Guildry Fund, Common Good Fund and Bridge of Don Fund each invested financially in the Lands of Skene and as a result are entitled to recognise a share of the total assets less current liabilities of this charity, being calculated in proportion to the initial amount invested by each, as an investment on their respective Balance Sheets.

8 DEBTORS

Composition from Entering Burgesses

-      -

Prepayments & accrued income

-	-
<u>-</u>	<u>-</u>

9 INVESTMENTS HELD AS CURRENT ASSETS

City of Aberdeen loan funds

34,724      34,980

34,724      34,980

The trustees have invested the free reserves of each of the charities in the City of Aberdeen loan funds in order to earn interest for the benefit of each charity. The loan funds is a cash investment and is stated at market value at the Balance Sheet date.

10 CREDITORS: Amounts falling due within one year

Accruals and deferred income

120      323

120      323

11 ANALYSIS OF NET ASSETS IN FUNDS

	Tangible fixed assets	Current assets (liabilities)	Total	Total
	£	£	£	£
Unrestricted funds	-	34,604	34,604	34,657

12 CONTROLLING INTEREST

Each charity is under the control of its trustees.

13 RELATED PART TRANSACTIONS

Aberdeen City Council provides the accounting services for the

347      349

The trust also has funds deposited with Aberdeen City Loans Fund as detailed in note 9

Charity name  
Charity number

Aberdeen Art Gallery  
Trusts  
SC018575

Total Funds 2014 £	Total Funds 2013 £
-----------------------------	-----------------------------

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014

2 AUDIT FEES (included with Governance Costs)				
Audit fee			170	-
			<u>170</u>	<u>-</u>
3 VOLUNTARY INCOME				
Donations and gifts			49,329	-
			<u>49,329</u>	<u>-</u>
4 INVESTMENT INCOME				
Interest receivable			493	-
Share of lands free revenue			-	-
			<u>493</u>	<u>-</u>
5 CHARITABLE ACTIVITIES				
Donations and expenditures			3,364	-
			<u>3,364</u>	<u>-</u>
6 GOVERNANCE COSTS				
Accounting and administration			493	-
Audit Fee / Independent Examiner Fee			170	-
			<u>663</u>	<u>-</u>
7 INVESTMENTS HELD AS FIXED ASSETS				
Investment in Land of Skene:-				
Market value at 1st April 2013 and 2012			-	-
Net investment gains/(losses) on revaluation			-	-
Market value at 31st March 2014 and 2013			<u>-</u>	<u>-</u>
<p>Lands of Skene is a charity which owns an area of land known as the Lands of Skene. The Guildry Fund, Common Good Fund and Bridge of Don Fund each invested financially in the Lands of Skene and as a result are entitled to recognise a share of the total assets less current liabilities of this charity, being calculated in proportion to the initial amount invested by each, as an investment on their respective Balance Sheets.</p>				
8 DEBTORS				
Composition from Entering Burgesses			-	-
Prepayments & accrued income			-	-
			<u>-</u>	<u>-</u>
9 INVESTMENTS HELD AS CURRENT ASSETS				
City of Aberdeen loan funds			45,965	-
			<u>45,965</u>	<u>-</u>
<p>The trustees have invested the free reserves of each of the charities in the City of Aberdeen loan funds in order to earn interest for the benefit of each charity. The loan funds is a cash investment and is stated at market value at the Balance Sheet date.</p>				
10 CREDITORS: Amounts falling due within one year				
Accruals and deferred income			170	-
			<u>170</u>	<u>-</u>
11 ANALYSIS OF NET ASSETS IN FUNDS				
	Tangible fixed assets £	Current assets/ (liabilities) £	Total £	Total £
Unrestricted funds	-	45,795	45,795	-
12 CONTROLLING INTEREST				
Each charity is under the control of its trustees.				
13 RELATED PART TRANSACTIONS				
Aberdeen City Council provides the accounting services for the			493	-
			<u>493</u>	<u>-</u>

The trust also has funds deposited with Aberdeen City Loans Fund as detailed in note 9

Charity name Charity number	Total			
	2014 £	2013 £		
<b>NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014</b>				
2 AUDIT FEES (included with Governance Costs)				
Audit fee	2,875	-		
	<u>2,875</u>	<u>0</u>		
3 VOLUNTARY INCOME				
Donations and gifts	49,770	493		
	<u>49,770</u>	<u>493</u>		
4 INVESTMENT INCOME				
Interest receivable	12,589	20,290		
Share of lands free revenue	10,636	21,889		
	<u>23,225</u>	<u>42,179</u>		
5 CHARITABLE ACTIVITIES				
Donations and expenditures	9,012	5,462		
	<u>9,012</u>	<u>5,462</u>		
6 GOVERNANCE COSTS				
Accounting and administration	16,124	14,882		
Audit Fee / Independent Examiner Fee	2,698	1,974		
	<u>18,822</u>	<u>16,856</u>		
7 INVESTMENTS HELD AS FIXED ASSETS				
Investment in Land of Skene:-				
Market value at 1st April 2013 and 2012	2,151,962	2,071,777		
Net investment gains/(losses) on revaluation	638,217	80,185		
Market value at 31st March 2014 and 2013	<u>2,790,179</u>	<u>2,151,962</u>		
Lands of Skene is a charity which owns an area of land known as the Lands of Skene. The Guildry Fund, Common Good Fund and Bridge of Don Fund each invested financially in the Lands of Skene and as a result are entitled to recognise a share of the total assets less current liabilities of this charity, being calculated in proportion to the initial amount invested by each, as an investment on their respective Balance Sheets.				
8 DEBTORS				
Composition from Entering Burgesses	300	300		
Prepayments & accrued income	3,460	8,318		
	<u>3,760</u>	<u>8,618</u>		
9 INVESTMENTS HELD AS CURRENT ASSETS				
City of Aberdeen loan funds	817,560	764,993		
	<u>817,560</u>	<u>764,993</u>		
The trustees have invested the free reserves of each of the charities in the City of Aberdeen loan funds in order to earn interest for the benefit of each charity. The loan funds is a cash investment and is stated at market value at the Balance Sheet date.				
10 CREDITORS: Amounts falling due within one year				
Accruals and deferred income	5,827	3,536		
	<u>5,827</u>	<u>3,536</u>		
11 ANALYSIS OF NET ASSETS IN FUNDS				
	Tangible fixed assets	Net assets/ (liabilities)	Total	Total
	£	£	£	£
Unrestricted funds	2,790,179	1,216,900	4,007,079	3,323,701
12 CONTROLLING INTEREST				
Each charity is under the control of its trustees.				
13 RELATED PART TRANSACTIONS				
Aberdeen City Council provides the accounting services for the			12,532	11,755
			<u>12,532</u>	<u>11,755</u>

The trust also has funds deposited with Aberdeen City Loans Fund as detailed in note 9

## **Independent auditor's report to the trustees of Aberdeen City Council Charitable Trusts and the Accounts Commission for Scotland**

I have audited the financial statements of Aberdeen City Council Charitable Trusts for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the statement of the financial activities, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the trustees and auditor**

As explained more fully in the Trustees' Annual Report, the trustees are responsible for the preparation of the financial statements which give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the trusts' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of the Trusts' affairs as at 31 March 2014 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and



- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

**Other matter - unaudited comparative amounts**

The financial statements for the year ended 31 March 2013 were not audited. The comparative amounts in the financial statements for the year ended 31 March 2014 are therefore unaudited.

**Opinion on other prescribed matter**

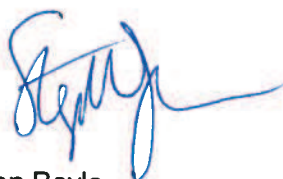
In my opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.



Stephen Boyle  
Assistant Director of Audit  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow G2 1BT

30 September 2014

Stephen Boyle is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

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Second section of handwritten text, continuing the notes.

Third section of handwritten text, possibly a list or series of points.

Fourth section of handwritten text, appearing to be a detailed explanation or calculation.



Final section of handwritten text at the bottom of the page, possibly a conclusion or summary.

**Aberdeen City Council  
Education Endowment Investment Funds**

**Annual Report and Financial Statements**

**For the year ended  
31 March 2014**

**Registered Number:  
SC025063**

**Trustees Annual Report 2013/14 – Education Endowment Investment Fund  
Registered Charitable Number SC025063**

This report relates to the Education Endowment Investment Fund (EEIF), a trust administered by Aberdeen City Council. It is a charitable trust with the registration number SC025063.

**Reference and administration details**

The principal address for this trust is Aberdeen City Council, Town House, Broad Street, Aberdeen AB10 1AH.

The Secretary of this Trust is Jane MacEachran, Head of Legal & Democratic Services, Aberdeen City Council and the Treasurer is Steven Whyte, Head of Finance, Aberdeen City Council.

The Trustees are the Councillors of Aberdeen City Council, and are as follows:-

Lord Provost George Adam (chairperson)	Councillor Muriel Jaffrey
Councillor Yvonne Allan	Councillor James Kiddie
Councillor Kirsty Blackman	Councillor Jenny Laing
Councillor Marie Boulton	Councillor Graeme Lawrence
Councillor David Cameron	Councillor Neil MacGregor
Councillor Scott Carle	Councillor M. Tauqeer Malik
Councillor Neil Cooney	Councillor Aileen Malone
Councillor John Corall	Councillor Andrew May
Councillor Bill Cormie	Councillor Callum McCaig
Councillor Barney Crockett	Councillor Ramsay Milne
Councillor Steve Delaney	Councillor Jean Morrison MBE
Councillor Graham Dickson	Councillor Nathan Morrison
Councillor Alan Donnelly	Councillor Jim Noble
Councillor Jackie Dunbar	Councillor John Reynolds
Councillor Lesley Dunbar	Councillor Gill Samarai
Councillor Andrew Finlayson	Councillor Jennifer Stewart
Councillor Fraser Forsyth	Councillor Sandy Stuart
Councillor Gordon Graham	Councillor Angela Taylor
Councillor Ross Grant	Councillor Ross Thomson
Councillor Martin Greig	Councillor Gordon Townson
Councillor Len Ironside CBE	Councillor Willie Young
	Councillor Ian Yuill

All Trustees have served for the whole of the financial year to 31 March 2014.

The auditors are Stephen Boyle, Assistant Director, Audit Scotland, 4<sup>th</sup> Floor South Suite, 8 Nelson Mandela Place, Glasgow G2 1BT.

## Structure, governance and management

The governing document is unavailable due to the venerable nature of the trust.

The trustees are elected in the course of the Local Authority elections and new members are supplied with training as part of their induction process.

The positions of Secretary and Treasurer are filled by professionally qualified officers of Aberdeen City Council.

## **Report of the trustees for the year ended 31 March 2014**

The trustees submit their annual report and the financial statements for the year ended 31 March 2014. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in 2005 in preparing the report.

### **Reference and administrative details of the charity, its trustees and advisers**

The EEIF originally comprised of over 60 smaller trusts, bequests and legacies split into two general areas

- 1) Education – Primarily concerned with prizes or awards at schools.
- 2) Social Work – Funds established to provide comforts at residential homes

While reviewing records as part of the Council's reorganisation of charitable trusts, OSCR advised that only a small number of trusts previously reported as part of the EEIF were actually registered as charities. Only accounts in relation to these registered charities are contained in this document. A review will take place of all trusts that were previously reported as part of the EEIF to consider a reorganisation in consultation with OSCR.

The trust now comprises of the trusts listed on page 6. Fourteen of these trusts relate to prizes or awards at school while the other trust is for the purchase of music of an intrinsically Scottish nature.

### **Structure, governance and management**

The EEIF is administered by Aberdeen City Council's Corporate Governance Directorate with primary responsibility falling to the Education, Culture & Sports accounting team.

Expenditure from the various trusts is at the discretion of the appropriate directorate – Education, Culture & Sports or Social Care & Wellbeing.

Trustees receive an annual report covering the activities of the trust.

### **Risk management**

The Trustees have assessed the major risks to which the charity is exposed, in particular those relating to the finances and assets of the Trust, and are satisfied that systems are in place to mitigate exposure to those risks.

### **Objectives and activities**

The objectives of the various trusts are set out on page 6 – EEIF Trusts list with purpose.

## Plans for future periods

All aspects of the Trust will be examined as part of the ongoing Trust Account review taking place at the current date.

## Financial review and reserves policy

The attached accounts show the incoming resources of £2,313 and resources expended of £573 for the year to 31 March 2014 (2013 - £2,096 and £766 respectively) and the Balance Sheet value of £167,607 (2013 - £161,768) as at 31 March 2014.

The investment policies of the trust are reviewed periodically. The last review was in the financial year 2006-2007. Surplus monies are invested in Aberdeen City Council loans fund.

## Statement of the Trustees' Responsibilities in Respect of the Accounts

The Trustees are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).


Law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the incoming resources and application of resources of the charity for that period. In preparing the financial statements the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statement of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and which enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice for Charity Accounts 2005 and the provisions of the Trust Deed. The Trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees on 30 September 2014.

..... Trustee



Charity Name and purpose	Purpose of Trust
Charity Name	
D. M. Andrew Bequest	For prizes in Classics at Aberdeen Grammar School
Athol Benzie Prize Fund	For best all-round pupil in the fifth year at Aberdeen Academy
E & D.R. Bishop Prize Fund	For prizes to pupils at Aberdeen Grammar School selected by the rector
Lucy Cruickshank Prize Fund	For prize to best pupil or pupils in French or German at High School for Girls
Jessie Durmo Prize Fund	For prize in Mathematics at Aberdeen Academy
Mary Durmo Prize Fund	For prize in English at Aberdeen Academy
Margaret C. Harper Prize Fund	For best pupil in German at Aberdeen Academy
Bessie Heriot Prize Fund	For prize to best girl at Kaimhill Secondary School
Dr G. MacKenzie Prize Fund	For prize to best pupil in German at Aberdeen Academy
Kenneth Macintosh Bequest	For paying or supplementing the expenses of pupils at Aberdeen Grammar School who might otherwise be unable to afford the cost of school trips
Dr Charles McLeod Trust	For purchase of books on Physical Science and Astronomy at Aberdeen Grammar School
William Meston Bursary Fund	For bursary to pupil of merit at Culter School undertaking a secondary course
J M Robertson Memorial Prize Fund	For prize to best pupil in commercial subjects at Aberdeen Grammar School
Rose Hip Fund	To be used at discretion of Director of Education
John M Henderson Bequest	To purchase music of an intrinsically Scottish Nature

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2014**

Charity Name – Educational Endowment Investment Fund  
Charity Number – SC025063

	Unrestricted Funds 2014 £	Endowment Funds 2014 £	Total Funds 2014 £	Total Funds 2013 £
	<u>Note</u>			
<b>Incoming resources</b>				
Incoming resources from generated funds				
Investment income	2	2,313	-	2,313
			<b>2,313</b>	<b>2,096</b>
Total incoming resources			<b>2,313</b>	<b>2,096</b>
<b>Resources expended</b>				
Charitable activities	3	573	-	573
			<b>573</b>	<b>766</b>
Total resources expended			<b>573</b>	<b>766</b>
Net incoming/(outgoing) resources before other recognised gains and losses			<b>1,740</b>	<b>1,330</b>
<b>Other recognised gains/(losses)</b>				
Gains/(losses) on investment assets		-	4,081	4,081
Net movement in funds		1,740	4,081	5,821
<b>Reconciliation of funds</b>				
Total funds brought forward		57,289	104,497	161,786
Total funds carried forward		59,029	108,578	167,607

# BALANCE SHEET AS AT 31 MARCH 2014

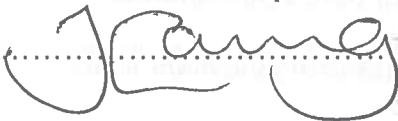
Charity Name – Educational Endowment Investment Fund

Charity Number – SC025063

			2014 £	2013 £
<b>Fixed assets</b>		<u>Note</u>		
Investments			<u>108,578</u>	<u>104,497</u>
	Total fixed assets	5	<u>108,578</u>	<u>104,497</u>
<b>Current Assets</b>				
Investments - City of Aberdeen Loans Fund		6	59,629	57,289
	Total current assets		<u>59,629</u>	<u>57,289</u>
<b>Liabilities</b>				
Creditors: Amounts falling due within one year		7	(600)	-
	Net current assets/(liabilities)		<u>59,029</u>	<u>57,289</u>
	<b>Net asset/(liabilities )</b>		<u><u>167,607</u></u>	<u><u>161,786</u></u>
<b>The funds of the charity</b>				
Endowment funds		8	108,578	104,497
Unrestricted funds		8	59,029	57,289
	Total charity funds		<u>167,607</u>	<u>161,786</u>

These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The Statement of Financial Activities, Balance Sheet and related notes were approved and authorised for issue by the Trustees on 30 September 2014 and signed on their behalf by:

 ..... Trustee

## **Notes forming part of the financial statements for the year ended 31 March 2014**

Charity Name – Educational Endowment Investment Fund  
Charity Number – SC025063

### **1 - Accounting Policies**

#### **Accounting Convention**

The accounts are prepared under the historical cost convention, with the exception of investments which are included at market value.

The accounts have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP) issued in March 2005, and comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Financial Reporting Standard for Smaller Entities (effective April 2008).

#### **Going Concern**

The accounts have been prepared under the going concern concept on the basis that Trustees have considered it and are satisfied that the going concern concept is appropriate.

#### **Recognition of Revenue and Expenditure**

All income and expenditure due to be paid or received in respect of the year ended 31 March 2014 has been provided for within these accounts.

#### **Incoming Resources**

Incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. All incoming resources are in relation to unrestricted funds.

Income from investments is included in the Statement of Financial Activities in the year in which it is receivable.

It is long standing policy to reserve 33% of investment income for the Education Endowment Investment Fund in order to fund future capital investment. This amounted to £972 in 2013/14. The remaining 67% is made available to distribute. Unspent income is retained in the City of Aberdeen Loans Funds as a cash balance

This policy does not apply to the John M. Henderson bequest which has 100% of its income available for distribution.

## Notes forming part of the financial statements for the year ended 31 March 2014

Charity Name – Educational Endowment Investment Fund

Charity Number – SC025063

### 1 - Accounting Policies (cont'd)

#### Resources Expended

Liabilities are recognised when the charity has an obligation to make payment to a third party. Resources expended are in relation to unrestricted funds.

Resources expended are included in the Statement of Financial Activities on an accruals basis inclusive of any irrecoverable VAT and are classified under headings that aggregate all costs related to the category.

#### Funds

Unrestricted funds include incoming resources receivable or generated for the objects of the charity without specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the Trustees.

Endowment funds represent those Assets which must be held permanently by the charity. Income arising on the endowment funds can be used in accordance with the objects of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of these funds. These funds are to be used in accordance with the specific restrictions imposed by donors.

It is long standing policy to reserve 33% of investment income for the Education Endowment Investment Fund in order to fund future capital investment. This amounted to £972 in 2013/14 being transferred from the unrestricted fund to the endowment fund in accordance with that policy. The balance of the investment income is made available for distribution.

#### Taxation

The Trusts are recognised by HM Revenue and Customs as charities and as a consequence of the tax reliefs available, income is not liable to taxation.

#### Investments

Investments are stated at market value as the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

## Notes forming part of the financial statements for the year ended 31 March 2014

Charity Name – Educational Endowment Investment Fund  
Charity Number – SC025063

### 1 - Accounting Policies (cont'd)

#### Interest and Management Charges

Interest and Management Charges are not treated as Debtors/Creditors but are treated as adjustments within the balances held by the Aberdeen City Council Loans Fund.

Interest is applied to the charity accounts gross of income tax based on an annual interest rate received from banks, on funds invested by Aberdeen City Council on behalf of the charity during the year.

An audit fee of £211 was paid in 2013/14 (£230 in 2112/13 pro-rata). This was deducted from the gross income before distribution and is not shown in these accounts.

Historically there are no management fees charged to the EEIF, and this was the case in financial years 2012/13 and 2013/14.

	2014 £	2013 £
<b>2 INVESTMENT INCOME</b>		
Interest receivable	210	231
Investment Income	<u>2,103</u>	<u>1,865</u>
	<u>2,313</u>	<u>2,096</u>
<b>3 CHARITABLE ACTIVITIES</b>		
Athol Benzie Prize Fund	31	38
E & D.R, Bishop Prize Fund	-	52
Lucy Cruickshank Prize Fund	-	277
Jessie Dumo Prize Fund	99	123
Mary Durno Prize Fund	111	138
Margaret C. Harper Prize Fund	9	11
Bessie Heriot Prize Fund	-	69
Dr G. MacKenzie Prize Fund	22	28
Dr Charles McLeod Trust	-	15
J M Robertson Memorial Prize Fund	-	15
John M Henderson Bequest	<u>301</u>	<u>-</u>
	<u>573</u>	<u>766</u>
<b>4 TRUSTEES REMUNERATION AND STAFF COSTS</b>		
The Trust has no employees. None of the trustees received any remuneration for their services, nor were they reimbursed for any expenses during the year.		
<b>5 INVESTMENTS HELD AS FIXED ASSETS</b>		
Market value at 1st April	104,497	94,101
Net investment gains/(losses) on revaluation	4,081	10,396
Market value at 31st March	<u>108,578</u>	<u>104,497</u>
Historical cost (where known)	<u>63,350</u>	<u>63,350</u>
UK listed investments are represented by:		
Fixed interest securities	103,734	99,220
Investment trusts and unit trusts	4,844	5,277
	<u>108,578</u>	<u>104,497</u>

## Notes forming part of the financial statements for the year ended 31 March 2014

Charity Name – Educational Endowment Investment Fund

Charity Number – SC025063

	2014 £	2013 £
<b>6 INVESTMENTS HELD AS CURRENT ASSETS</b>		
City of Aberdeen loan funds:		
School Charitable Trusts	29,542	27,202
John Henderson Trust	30,087	30,087
	<u>59,629</u>	<u>57,289</u>

The trustees have invested the free reserves of the charity in the City of Aberdeen loans fund, in order to earn interest for the benefit of the charity. The loans fund is a cash investment and is stated at market value at the Balance Sheet date.

### 7 CREDITORS: Amounts falling due within one year

Accruals	<u>(600)</u>	-
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### 8 ANALYSIS OF NET ASSETS IN FUNDS

	Tangible fixed assets £	Current assets/ (liabilities) £	Total £	Total £
Unrestricted funds	-	59,029	59,029	57,289
Endowment funds	108,578	-	108,578	104,497
	<u>108,578</u>	<u>59,029</u>	<u>167,607</u>	<u>161,786</u>

### 9 CONTROLLING INTEREST

Each charity is under the control of its trustees.

### 10 RELATED PARTY TRANSACTIONS

Aberdeen City Council provides the accounting services for the trust. No charge is made for this service.

## **Independent auditor's report to the trustees of Aberdeen City Council Education Endowment Investment Funds and the Accounts Commission for Scotland**

I have audited the financial statements of Aberdeen City Council Education Endowment Investment Funds for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the statement of the financial activities, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the trustees and auditor**

As explained more fully in the Trustees' Annual Report, the trustees are responsible for the preparation of the financial statements which give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the funds' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of the Funds' affairs as at 31 March 2014 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and



- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

#### **Other matter - unaudited comparative amounts**

The financial statements for the year ended 31 March 2013 were not audited. The comparative amounts in the financial statements for the year ended 31 March 2014 are therefore unaudited.

#### **Opinion on other prescribed matter**

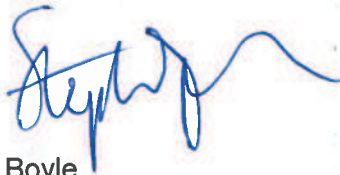
In my opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.



Stephen Boyle  
Assistant Director of Audit  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow G2 1BT

30 September 2014

Stephen Boyle is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

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**Aberdeen City Council  
Lands of Skene Trust**

Annual Report and Financial Statements

For the year ended  
31 March 2014

Registered Number:  
SC018533



**Trustees Annual Report 2013/14 – Lands of Skene  
Registered Charitable Number SC018533**

This report relates to the Lands of Skene, a trust administered by Aberdeen City Council. It is a charitable trust with the registration number SC018533.

**Reference and administration details**

The principal address for this trust is Aberdeen City Council, Town House, Broad Street, Aberdeen AB10 1AH.

The Secretary of this Trust is Jane MacEachran, Head of Legal & Democratic Services, Aberdeen City Council and the Treasurer is Steven Whyte, Head of Finance, Aberdeen City Council.

The Trustees are the Councillors of Aberdeen City Council, and are as follows:-

Lord Provost George Adam (chairperson)	Councillor Muriel Jaffrey
Councillor Yvonne Allan	Councillor James Kiddie
Councillor Kirsty Blackman	Councillor Jenny Laing
Councillor Marie Boulton	Councillor Graeme Lawrence
Councillor David Cameron	Councillor Neil MacGregor
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Councillor Ross Grant	Councillor Ross Thomson
Councillor Martin Greig	Councillor Gordon Townson
Councillor Len Ironside CBE	Councillor Willie Young
	Councillor Ian Yuill

All Trustees have served for the whole of the financial year to 31 March 2014.

The Auditor is Stephen Boyle, Assistant Director, Audit Scotland, 4<sup>th</sup> Floor South Suite, 8 Nelson Mandela Place, Glasgow G2 1BT.

## **Structure, governance and management**

The governing document is unavailable due to the venerable nature of the trust.

The trustees are elected in the course of the Local Authority elections and new members are supplied with training as part of their induction process.

The positions of Secretary and Treasurer are filled by professionally qualified officers of Aberdeen City Council.

## **Report of the trustees for the year ended 31 March 2014**

The trustees submit their annual report and financial statements for the year ended 31 March 2014. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in 2005 in preparing the annual report and financial statements of the charity.

### **Structure, Governance and Management**

The Lands of Skene is administered by Aberdeen City Council's Corporate Governance Directorate with primary responsibility falling to the Corporate Governance accounting team. Trustees receive an annual report covering the activities of the Trust.

### **Statement of the Trustees' Responsibilities in Respect of the Accounts**

The Trustees are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the incoming resources and application of resources of the charity for that period. In preparing the financial statements the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statement of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the constitution. The Trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Risk Management**

The Trustees have assessed the major risks to which the charity is exposed, in particular those relating to the finances and assets of the Trust, and are satisfied that systems are in place to mitigate exposure to those risks.

## **Objectives and Activities**

The Lands of Skene goes back to 1710 when the east half of the Lands of Skene was purchased on behalf of certain Accounts. This was followed in 1712 by the purchase of the west half. Two feuing schemes were carried out in 1789 and 1816 and the land now remaining is known as the Lands of Easter Carnie.

The free revenue from the Lands of Skene is split between the following:

Guildry Funds – 40%

Bridge of Don Trusts – 30%

Common Good Fund – 30%

This is believed to represent the share of investment in the original purchase of the lands.

In general the charity's activities are limited to the accrual of income from investments, which are remitted to appropriate organisations for further disbursement or use as appropriate.

The Governance Costs are allocated in proportion to the value of the sums invested with the Council.

## **Achievements and Performance**

The charity's incoming resources were fully expended in the year in accordance with the objectives and activities outlined above.

## **Trustee's induction and training**

Councillors are provided with training on trustee duties as part of their councillor induction.




## Financial Review and Reserves Policy

The accounts for the year show gross expenditure and income of £32,338 (2013 - £44,992). The surplus for the year amounted to £15,195 which is split between the 3 accounts listed above, compared to £31,270 in the previous year.

In 2013/14 the trust received a settlement following a court case over a profit share clause on the sale of land a number of years ago. Following deduction of fees incurred in reaching this settlement, the net amount is included within Other recognised gains/losses in the Statement of Financial Activities.

As at 31 March 2014 the Trust's financial position shows reserves of £3,985,970 (2013 - £3,073,660) are held, split between the three funds in proportion to the investments they have made.

Signed on behalf of the charity on 30 September 2014.

..... Trustee

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2014**

Charity name		Lands of Skene	
Charity number		SC018533	
		2013/14	2012/13
		£	£
	<u>Note</u>		
<b>Incoming Resources</b>			
Investment Income	3	6,666	8,589
Rent from Land & Buildings	4	25,672	36,403
		<u>32,338</u>	<u>44,992</u>
<b>Total Incoming Resources</b>			
<b>Resources expended</b>			
Charitable Activities - Grants & Donations	5	15,195	31,270
Governance Costs	6	8,624	7,988
Property costs	5	8,519	5,734
		<u>32,338</u>	<u>44,992</u>
<b>Total Resources expended</b>			
Net incoming resources before other recognised gains and losses		-	-
<b>Other recognised gains/losses</b>			
Gains/losses on investment assets		912,310	114,550
		<u>912,310</u>	<u>114,550</u>
<b>Net movement in funds</b>			
<b>Reconciliation of Funds</b>			
Total funds brought forward		<u>3,073,660</u>	<u>2,959,110</u>
<b>Total Funds carried forward</b>		<u>3,985,970</u>	<u>3,073,660</u>


## BALANCE SHEET AS AT 31 MARCH

Charity name		Lands of Skene	
Charity number		SC018533	
		2014	2013
		£	£
<b>Fixed Assets</b>	<b>Note</b>		
Intangible Assets			
Tangible Assets	8	2,558,811	2,406,400
		<u>2,558,811</u>	<u>2,406,400</u>
	Total Fixed Assets		
<b>Current Assets</b>			
Stocks and work-in-progress			
Debtors	9	9,718	30,208
Investments - City of Aberdeen Loans Fund		1,420,538	638,979
		<u>1,430,256</u>	<u>669,187</u>
	Total Current Assets		
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	10	(3,097)	(1,927)
		<u>1,427,159</u>	<u>667,260</u>
	Net current assets or liabilities		
	<b>Net asset or liabilities</b>	<u><u>3,985,970</u></u>	<u><u>3,073,660</u></u>
<b>The funds of the charity</b>			
Designated Funds			
Guildry Fund		1,594,388	1,229,464
Bridge of Don Fund		1,195,791	922,098
Common Good Fund		1,195,791	922,098
		<u>3,985,970</u>	<u>3,073,660</u>
	<b>Total Charity Funds</b>		

These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The property portfolio was valued internally by Stephen Booth, BSc MRICS and Neil Strachan, BLE MRICS who are RICS Registered Valuers, in accordance with the Statement of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors (RICS).

The Statement of Financial Activities, Balance Sheet and related notes were approved and authorised for issue by the Trustees on 30 September 2014 and signed by:

..... Trustee

## **NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014**

Charity Name – Lands of Skene

Charity Number – SC018533

### **1 - Accounting Policies**

#### **Accounting Convention**

The accounts are prepared under the historical cost convention, with the exception of investments which are included at market value.

The accounts have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP) issued in March 2005, and comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Financial Reporting Standard for Smaller Entities (effective April 2008).

#### **Going Concern**

The accounts have been prepared under the going concern concept on the basis that Trustees have considered it and are satisfied that the going concern concept is appropriate.

#### **Recognition of Revenue and Expenditure**

All income and expenditure due to be paid or received in respect of the year ended 31 March 2014 has been provided for within these accounts.

#### **Incoming Resources**

Incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. All incoming resources are in relation to unrestricted funds.

Income from investments is included in the Statement of Financial Activities in the year in which it is receivable.

#### **Resources Expended**

Liabilities are recognised when the charity has an obligation to make payment to a third party.

Resources expended are included in the Statement of Financial Activities on an accruals basis inclusive of any irrecoverable VAT.

## **NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014**

Charity Name – Lands of Skene

Charity Number – SC018533

### **1 - Accounting Policies (cont'd)**

#### **Resources Expended (cont'd)**

Expenditure is directly attributed to the relevant category in the Statement of Financial Activities where practical. Other expenditure is allocated on a pro-rata basis based on the percentage of money invested by the various trust funds.

Governance costs include those costs incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

#### **Funds**

Unrestricted funds include incoming resources receivable or generated for the objects of the charity without specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the directors.

#### **Taxation**

The charity is recognised by HM Revenue and Customs as a charity and as a consequence of the tax reliefs' available, income is not liable to taxation.

#### **Investments**

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

#### **Interest and Management Charges**

Interest and Management Charges are not treated as Debtors/Creditors but are treated as adjustments within the balances held by the Aberdeen City Council Loans Fund.

Interest is applied to the charity accounts gross of income tax based on an annual interest rate received from banks on funds invested by Aberdeen City Council on behalf of the charity during the year.

Management charges are 1% of the loans fund held at the start of the year where the balance is over £500.

## NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014

Charity Name – Lands of Skene

Charity Number – SC018533

	2014	2013
	£	£
<b>2 AUDIT FEES</b>		
Audit fee	2160	-
Independent Examiners Fee	-	355
	<u>2160</u>	<u>355</u>
<b>3 INVESTMENT INCOME</b>		
Interest receivable	<u>6,666</u>	<u>8,589</u>
<b>4 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES</b>		
Rent from land and buildings	<u>25,672</u>	<u>36,403</u>
<b>5 CHARITABLE ACTIVITIES</b>		
Payments to Beneficiaries:		
Common Good	4,558	9,381
Bridge of Don	4,559	9,381
Guild Box	3,039	6,254
Hospital	3,039	6,254
	<u>15,195</u>	<u>31,270</u>
Other costs:		
Property maintenance	8,519	5,734
	<u>23,714</u>	<u>37,004</u>
<b>6 GOVERNANCE COSTS</b>		
Aberdeen City Council	<u>8,624</u>	<u>7,988</u>
<b>7 TRUSTEES REMUNERATION AND STAFF COSTS</b>		

The Trust has no employees. None of the Trustees received any remuneration for their services, nor were they reimbursed for any expenses during the year.

## NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014

Charity Name – Lands of Skene

Charity Number – SC018533

	2014 £	2013 £
<b>8 TANGIBLE FIXED ASSETS</b>		
Lands of Skene		
Market value at 1 April	2,406,400	2,291,850
Net investment gains	152,411	114,550
Market value at 31 March	<u>2,558,811</u>	<u>2,406,400</u>

Valuation at 31 March 2014 provided by Stephen Booth, BSc MRICS and Neil Strachan, BLE MRICS of Aberdeen City Council.

### 9 DEBTORS

Prepayments & Accrued income	<u>9,718</u>	<u>30,208</u>
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### 10 CREDITORS

Amounts Falling due within one year: Accruals and deferred income	<u>3,097</u>	<u>1,927</u>
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### 11 ANALYSIS OF NET ASSETS IN FUNDS

	Tangible fixed assets £	Net assets/ (liabilities) £	Total £
Unrestricted funds	<u>2,558,811</u>	<u>1,427,159</u>	<u>3,985,970</u>

### 12 CONTROLLING INTEREST

The charity is under the control of the Trustees.

### 13 RELATED PART TRANSACTIONS

Aberdeen City Council provides the accounting services for the trust. A management fee of £6,673 has been charged (2013 - £6,673)

The trust has funds of £1,420,538 (2013 - £638,979) on deposit with Aberdeen City Council Loans Fund.

## **Independent auditor's report to the trustees of Lands of Skene Trust and the Accounts Commission for Scotland**

I have audited the financial statements of Lands of Skene Trust for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the statement of the financial activities, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the trustees and auditor**

As explained more fully in the Trustees' Annual Report, the trustees are responsible for the preparation of the financial statements which give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2014 and of their incoming resources and application of resources for the year then ended;



- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

**Other matter - unaudited comparative amounts**

The financial statements for the year ended 31 March 2013 were not audited. The comparative amounts in the financial statements for the year ended 31 March 2014 are therefore unaudited.

**Opinion on other prescribed matter**

In my opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.



Stephen Boyle  
Assistant Director of Audit  
Audit Scotland  
4th Floor, South Suit  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow G2 1BT

30 September 2014

Stephen Boyle is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.



**Aberdeen City Council  
Lands of Torry Trust**

Annual Report and Financial Statements

For the year ended  
31 March 2014

Registered Number:  
SC021299



**Trustees Annual Report 2013/14 – Lands of Torry**  
**Registered Charitable Number SC021299**

This report relates to the Lands of Torry, a trust administered by Aberdeen City Council. It is a charitable trust with the registration number SC021299.

**Reference and administration details**

The principal address for this trust is Aberdeen City Council, Town House, Broad Street, Aberdeen AB10 1AH.

The Secretary of this Trust is Jane MacEachran, Head of Legal & Democratic Services, Aberdeen City Council and the Treasurer is Steven Whyte, Head of Finance, Aberdeen City Council.

The Trustees are the Councillors of Aberdeen City Council, and are as follows:-

Lord Provost George Adam (chairperson)	Councillor Muriel Jaffrey
Councillor Yvonne Allan	Councillor James Kiddie
Councillor Kirsty Blackman	Councillor Jenny Laing
Councillor Marie Boulton	Councillor Graeme Lawrence
Councillor David Cameron	Councillor Neil MacGregor
Councillor Scott Carle	Councillor M. Tauqeer Malik
Councillor Neil Cooney	Councillor Aileen Malone
Councillor John Corall	Councillor Andrew May
Councillor Bill Cormie	Councillor Callum McCaig
Councillor Barney Crockett	Councillor Ramsay Milne
Councillor Steve Delaney	Councillor Jean Morrison MBE
Councillor Graham Dickson	Councillor Nathan Morrison
Councillor Alan Donnelly	Councillor Jim Noble
Councillor Jackie Dunbar	Councillor John Reynolds
Councillor Lesley Dunbar	Councillor Gill Samarai
Councillor Andrew Finlayson	Councillor Jennifer Stewart
Councillor Fraser Forsyth	Councillor Sandy Stuart
Councillor Gordon Graham	Councillor Angela Taylor
Councillor Ross Grant	Councillor Ross Thomson
Councillor Martin Greig	Councillor Gordon Townson
Councillor Len Ironside CBE	Councillor Willie Young
	Councillor Ian Yuill

All Trustees have served for the whole of the financial year to 31 March 2014.

The Auditor is Stephen Boyle, Assistant Director, Audit Scotland, 4<sup>th</sup> Floor South Suite, 8 Nelson Mandela Place, Glasgow G2 1BT.

## **Structure, governance and management**

The governing document is unavailable due to the venerable nature of the trust.

The trustees are elected in the course of the Local Authority elections and new members are supplied with training as part of their induction process.

The positions of Secretary and Treasurer are filled by professionally qualified officers of Aberdeen City Council.

## **Report of the trustees for the year ended 31 March 2014**

The trustees submit their annual report and financial statements for the year ended 31 March 2014. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in 2005 in preparing the annual report and financial statements of the charity.

### **Structure, Governance and Management**

The Lands of Torry is administered by Aberdeen City Council's Corporate Governance Directorate with primary responsibility falling to the Corporate Governance accounting team. Trustees receive an annual report covering the activities of the Trust.

### **Statement of the Trustees' Responsibilities in Respect of the Accounts**

The Trustees are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the incoming resources and application of resources of the charity for that period. In preparing the financial statements the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statement of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the constitution. The Trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Risk Management**

The Trustees have assessed the major risks to which the charity is exposed, in particular those relating to the finances and assets of the Trust, and are satisfied that systems are in place to mitigate exposure to those risks.

## **Objectives and Activities**

The Lands of Torry goes back to at least 1704 when they were purchased on behalf of certain accounts.

The free revenue from the Lands of Torry is split between the following:

Duncan Liddel's Mortification – Professor of Mathematics - 25%

Duncan Liddel's Mortification – Library of College - 2%

James Cargill's Mortification – Bursary Fund – 10%

Patrick Coplands Mortification – Professor of Divinity – 12%

Common Good Fund – 51%

In general the charity's activities are limited to the accrual of income from investments, which are remitted to appropriate organisations for further disbursement or use as appropriate.

The Governance Costs are allocated in proportion to the value of the sums invested with the Council.

## **Achievements and Performance**

The charity's incoming resources were fully expended in the year in accordance with the objectives and activities outlined above.

## **Trustee's induction and training**

Councillors are provided with training on trustee duties as part of their councillor induction



## Financial Review and Reserves Policy

The accounts for the year show gross expenditure and income of £127,376 (2013 - £128,638). The free revenue for the year amounted to £125,897 (2013 - £127,077) which is split over the five accounts listed above

As at 31 March 2014 the Trust's financial position shows reserves of £2,029,081 (2013 - £1,940,081) are held split between the five funds in proportion to the investments they have made.

Signed on behalf of the charity on 30 September 2014.

..... Trustee

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2014**

Charity name	Lands of Torry	
Charity number	SC021299	
	2013/14	2012/13
	£	£
	<u>Note</u>	
<b>Incoming Resources</b>		
Investment Income	3	251
Rent from Land & Buildings	4	127,125
		<u>128,315</u>
Total Incoming Resources		<u>127,376</u>
<b>Resources expended</b>		
Charitable Activities	5	125,897
Governance Costs	6	1,479
		<u>1,561</u>
Total Resources expended		<u>127,376</u>
Net incoming/outgoing resources before transfers		-
<b>Other recognised gains/losses</b>		
Gains/losses on investment assets		89,000
		<u>13,000</u>
Net movement in funds		<u>89,000</u>
<b>Reconciliation of Funds</b>		
Total funds brought forward		<u>1,940,081</u>
Total Funds carried forward		<u>1,927,081</u>
		<u>2,029,081</u>


**BALANCE SHEET AS AT 31 MARCH**

Charity name		Lands of Torry	
Charity number		SC021299	
		2014	2013
		£	£
<b>Fixed Assets</b>	<b>Note</b>		
Tangible Assets	8	2,004,000	1,915,000
<b>Total Fixed Assets</b>		<u>2,004,000</u>	<u>1,915,000</u>
<b>Current Assets</b>			
Stocks and work-in-progress			
Debtors	9	40,718	40,718
<b>Total Current Assets</b>		<u>40,718</u>	<u>40,718</u>
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	10	(15,637)	(15,637)
<b>Net current assets or liabilities</b>		<u>25,081</u>	<u>25,081</u>
<b>Net assets</b>		<u>2,029,081</u>	<u>1,940,081</u>
<b>The funds of the charity</b>			
Designated funds:			
Dr Duncan Liddel's Mortification - Professor of Mathematics		511,166	488,745
Dr Duncan Liddel's Mortification - Library of College		25,566	24,445
James Cargill Mortification - Bursary Fund		208,265	199,130
Patrick Copland's Mortification - Professor of Divinity		249,902	238,940
Common Good Fund		1,034,182	988,821
<b>Total Charity Funds</b>		<u>2,029,081</u>	<u>1,940,081</u>

These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The property portfolio was valued internally by Stephen Booth, BSc MRICS and Neil Strachan, BLE MRICS who are RICS Registered Valuers, in accordance with the Statement of Assets Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors (RICS).

The Statement of Financial Activities, Balance Sheet and related notes were approved and authorised for issue by the Trustees on 30 September 2014 and signed by:

..... Trustee

## **NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014**

Charity Name – Lands of Torry

Charity Number – SC021299

### **1 - Accounting Policies**

#### **Accounting Convention**

The accounts are prepared under the historical cost convention, with the exception of certain fixed assets which are included at market value.

The accounts have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP) issued in March 2005, and comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Financial Reporting Standard for Smaller Entities (effective April 2008).

#### **Going Concern**

The accounts have been prepared under the going concern concept on the basis that Trustees have considered it and are satisfied that the going concern concept is appropriate.

#### **Recognition of Revenue and Expenditure**

All income and expenditure due to be paid or received in respect of the year ended 31 March 2014 has been provided for within these accounts.

#### **Incoming Resources**

Incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. All incoming resources are in relation to unrestricted funds.

Income from investments is included in the Statement of Financial Activities in the year in which it is receivable.

#### **Resources Expended**

Liabilities are recognised when the charity has an obligation to make payment to a third party.

Resources expended are included in the Statement of Financial Activities on an accruals basis inclusive of any irrecoverable VAT.

## **NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014**

Charity Name – Lands of Torry

Charity Number – SC021299

### **1 - Accounting Policies (cont'd)**

#### **Resources Expended (cont'd)**

Expenditure is directly attributed to the relevant category in the Statement of Financial Activities where practical. Other expenditure is allocated on a pro-rata basis on the basis of the time spent on activities.

Governance costs include those costs incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

#### **Funds**

Unrestricted funds include incoming resources receivable or generated for the objects of the charity without specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the Trustees.

#### **Taxation**

The charity is recognised by HM Revenue and Customs as a charity and as a consequence of the tax reliefs' available, income is not liable to taxation.

#### **Investments**

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

#### **Interest and Management Charges**

Interest and Management Charges are not treated as Debtors/Creditors but are treated as adjustments within the balances held by the Aberdeen City Council Loans Fund.

Interest is applied to the charity accounts gross of income tax based on an annual interest rate received from banks on funds invested by Aberdeen City Council on behalf of the charity during the year.

Management charges are 1% of the loans fund held at the start of the year where the balance is over £500.

## NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014

Charity Name – Lands of Torry

Charity Number – SC021299

	2014 £	2013 £
<b>2 AUDIT FEES</b>		
Audit fee	1365	-
Independent Examiners Fee	-	350
	<u>1365</u>	<u>350</u>
<b>3 INVESTMENT INCOME</b>		
Interest receivable	<u>251</u>	<u>323</u>
<b>4 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES</b>		
Rent from land and buildings	<u>127,125</u>	<u>128,315</u>
<b>5 CHARITABLE ACTIVITIES</b>		
Charitable Activities	<u>125,897</u>	<u>127,077</u>
<b>6 GOVERNANCE COSTS</b>		
Aberdeen City Council	<u>1,479</u>	<u>1,561</u>
<b>7 TRUSTEES REMUNERATION AND STAFF COSTS</b>		

The Trust has no employees. None of the Trustees received any remuneration for their services, nor were they reimbursed for any expenses during the year.

## NOTES TO THE ACCOUNTS AS AT 31 MARCH 2014

Charity Name – Lands of Torry

Charity Number – SC021299

	2014	2013
	£	£
<b>8 TANGIBLE FIXED ASSETS</b>		
Lands of Torry		
Market value at 1 April	1,915,000	1,902,000
Net investment gains	89,000	13,000
Market value at 31 March	<u>2,004,000</u>	<u>1,915,000</u>
<b>9 DEBTORS</b>		
Prepayments & Accrued income	<u>40,718</u>	<u>40,718</u>
<b>10 CREDITORS</b>		
Amounts Falling due within one year:		
Accruals and deferred income	4,492	3,633
Short Term Loan - Aberdeen City Council	<u>11,144</u>	<u>12,004</u>
	<u>15,637</u>	<u>15,637</u>

The Trustees have invested the free reserves of the charity in the City of Aberdeen Loans funds, in order to earn interest for the benefit of the charity. The loans fund is a credit balance at year end due to costs incurred that have been funded by Aberdeen City Council on behalf of the charity.

### 11 CONTROLLING INTEREST

The charity is under the control of the Trustees.

### 12 RELATED PART TRANSACTIONS

Aberdeen City Council provides the accounting services for the trust. A management fee of £251 has been charged (2013 - £251)

## **Independent auditor's report to the trustees of Lands of Torry Trust and the Accounts Commission for Scotland**

I have audited the financial statements of Lands of Torry Trust for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the statement of the financial activities, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the trustees and auditor**

As explained more fully in the Trustees' Annual Report, the trustees are responsible for the preparation of the financial statements which give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2014 and of their incoming resources and application of resources for the year then ended;



- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

**Other matter - unaudited comparative amounts**

The financial statements for the year ended 31 March 2013 were not audited. The comparative amounts in the financial statements for the year ended 31 March 2014 are therefore unaudited.

**Opinion on other prescribed matter**

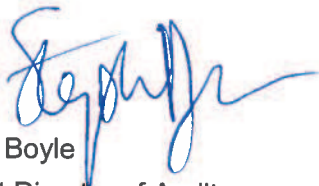
In my opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.



Stephen Boyle  
Assistant Director of Audit  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow G2 1BT

30 September 2014

Stephen Boyle is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.



Exempt information as described in paragraph(s) 6, 9 of Schedule 7A of the Local Government (Scotland) Act 1973.

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Exempt information as described in paragraph(s) 6, 9 of Schedule 7A of the Local Government (Scotland) Act 1973.

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Exempt information as described in paragraph(s) 6, 9 of Schedule 7A of the Local Government (Scotland) Act 1973.

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Exempt information as described in paragraph(s) 6, 9 of Schedule 7A of the Local Government (Scotland) Act 1973.

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