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SECOND ADDITIONAL CIRCULATION



To: Councillor Flynn, Convener; Councillor Yuill, Vice Convener; and Councillors Allard, Duncan, Graham, Lumsden, Avril MacKenzie, Reynolds and Townson.

Town House,
ABERDEEN 3 May 2018

AUDIT, RISK AND SCRUTINY COMMITTEE

The undernoted items are circulated in connection with the meeting of the **AUDIT, RISK AND SCRUTINY COMMITTEE** to be held here in the Town House on **TUESDAY, 8 MAY 2018 at 2.00 pm.**

FRASER BELL
CHIEF OFFICER - GOVERNANCE

BUSINESS

7.1 Unaudited Annual Accounts 2017/18 (Pages 3 - 188)

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ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny
DATE	8 May 2018
REPORT TITLE	Unaudited Annual Accounts 2017/18
REPORT NUMBER	RES/18/011
DIRECTOR	Steven Whyte
CHIEF OFFICER	Sandra Buthlay
REPORT AUTHOR	Lesley Fullerton
TERMS OF REFERENCE	Section 4.1 consider and approve the Council's Annual Report and Annual Accounts and 4.2 consider and approve the annual governance statement

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Elected Members with an overview of the Council's 2017/18 unaudited Annual Accounts.
- 1.2 To enable scrutiny of and approval by the Committee on the content of the Annual Governance Statement. The statement has been included in the 2017/18 unaudited Annual Accounts subject to this approval.
- 1.3 The report also provides the unaudited Annual Accounts for those registered charities where the Council is the sole trustee and is subject to statutory requirements for separate accounts and audit opinions.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:-
 - 2.1.1 approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2017/18;
 - 2.1.2 consider the Council's unaudited Annual Accounts 2017/18;
 - 2.1.3 consider the unaudited Annual Accounts 2017/18 of the Council's registered charities;
 - 2.1.4 note that following this meeting the Council's and the registered charities unaudited Annual Accounts will be finalised, signed and submitted to Audit Scotland;

- 2.1.5 note that the Audit, Risk & Scrutiny Committee on 26 June 2018 will receive the Council's audited Annual Accounts for consideration and approval prior to their signature by the Director of Resources, Chief Executive and a Council Leader;
- 2.1.6 note that the Audit, Risk & Scrutiny Committee of 26 June 2018 will also receive the external auditor's report on the annual accounts for debate and consideration and that this report will set out the auditor's findings and conclusions, highlight the significant issues arising from the audit of the annual accounts and inform Elected Members of the proposed audit opinion in advance of the accounts being certified; and
- 2.1.7 note that the Audit, Risk & Scrutiny Committee on 26 June 2018 will also receive the audited Annual Accounts for the registered charities for consideration and approval prior to their signature along with the associated external auditor's report.

3. BACKGROUND

Annual Governance Statement

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 specify that the Annual Accounts must include an Annual Governance Statement (AGS).
- 3.2 The AGS should be produced in accordance with proper accounting practices and the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.
- 3.3 The Council has developed its approach to the annual governance review process and in 2017/18 has again undertaken a self-evaluation of the effectiveness of the Local Code of Corporate Governance.
- 3.4 There are different layers of assurance that have been considered and used in determining the content of the AGS. These include management assurance, the internal audit assurance framework, and the consideration of external audit and external scrutiny.
- 3.5 Management assurance includes the certification of internal controls and assurance by all Heads of Service, along with an assurance statement having been received by, or on behalf of, the Chief Executive of the group entities. The Chief Officer of the Aberdeen City Integration Joint Board has also provided assurance in respect of the Health and Social Care Partnership arrangements.
- 3.6 Further confidence is based on the operational structure and legislative framework that exists for the Council, including the continuity that has been maintained in relation to statutory posts throughout the year.
- 3.7 The Standing Orders, Terms of Reference and Scheme of Delegation define the roles and responsibilities for officers and Elected Members.

- 3.8 The accounting team work closely with budget holders to ensure that a positive relationship exists and there is openness and transparency about decision making and the financial implications.
- 3.9 Each Chief Officer has reviewed their portfolio and certified their effectiveness to the Chief Officer – Governance and the Director of Resources, with reference to the Scheme of Governance as revised in March 2018, to support implementation of the Target Operating Model, as well as a number of additional outputs. This was overseen by the Governance Delivery Board and the elected member Governance Reference Group.
- 3.10 Management Assurance has also been used in considering the progress that has been made around thirteen significant issues identified in last year's statement. During 17/18 sufficient progress has been made in addressing nine of the issues such that they have been removed from the list of significant items. For the remaining four items, whilst positive progress has been made, management recognise that there is further work to be undertaken and consider that they should remain on the AGS for 2017/18. One additional item has been added to the list of significant issues and actions to address. This is outlined in section 4 of the AGS.
- 3.11 In undertaking a self-evaluation of the Council's effectiveness of its governance framework, a number of officers have reviewed the Local Code using the CIPFA/SOLACE checklists and drawn judgements on the extent to which the Council is effectively complying with the code. The summary of this governance activity can be found at table A of the AGS.
- 3.12 Independent scrutiny is undertaken by the Internal Audit function, which was carried out by the Internal Audit team from Aberdeenshire Council. They have provided management and the Committee with recommendations on improvements that can be implemented for the benefit, amongst other things, of the control environment. The annual report from the Head of Internal Audit on the work they have carried out in 2017/18 will be considered by Audit, Risk and Scrutiny Committee in June 2018.
- 3.13 External scrutiny is required by legislation (Local Authority Accounts (Scotland) Regulations 2014) and the Council's external auditor, KPMG, reported on a variety of areas, not simply the financial statements and financial control environment. These reports, which are produced on a national basis, have been considered in preparing the AGS for 2017/18. In 2017 KPMG reviewed our existing function covering the Public Sector Internal Audit Standards (PSIAS), as well as making comparisons to best practice for an entity listed on the London Stock Exchange. Recommendations made by KPMG were reported to Audit, Risk & Scrutiny Committee in November 2017, and a series of actions were agreed, which are in the process of being progressed.
- 3.14 In conclusion and in examining the evidence, the 2017/18 AGS has been prepared with an approach of openness and accountability that recognises the positive framework that the Council has and the effectiveness of it during

the financial year. It should be noted that the Statement has been produced by management and is not an independent expression of audit opinion.

- 3.15 The Annual Governance Statement is signed on behalf of Aberdeen City Council by the Chief Executive and Leader of the Council. It is recommended for approval prior to being signed off.

Unaudited Annual Accounts

- 3.16 On 22 February 2018 this committee received and noted the contents of a report, "Annual Accounts 2017/18 – Action Plan" which provided high level information and key dates in relation to the production of the 2017/18 Annual Accounts.

- 3.17 The key dates contained within the above report were:-

31 March 2018	End of the financial year 2017/18
Jan – June 2018	Information from Group Entities (including ALEO's)
20 April 2018	Public Notice for the Public Inspection Period to be issued
8 May 2018	Signing of the unaudited Annual Accounts by the Proper Officer
8 May 2018	Audit, Risk and Scrutiny Committee to consider the unaudited Annual Accounts
14 May – 4 June 2017	Public Inspection Period for the unaudited Annual Accounts
26 June 2018	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
26 June 2018	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader
30 June 2018	Statutory deadline for the Proper Officer to sign the unaudited Annual Accounts, submit to the Auditor and publish on the website
20 July 2018	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
28 September 2018	Deadline for submission of the signed audited Annual Accounts to the Auditor
September 2018	Audit Risk & Scrutiny Committee to consider the Auditor's Annual Report
September 2018	Deadline for submission of the audited WGA to the Scottish Government (date to be confirmed)
31 October 2018	Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
24 December 2018	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

- 3.18 Whilst there are statutory requirements under the Local Authority Accounts (Scotland) Regulations 2014 which specify deadlines in relation to the unaudited and audited Annual Accounts, this does not prevent us from working to earlier dates and indeed the earlier completion of our Annual Accounts could be considered best practice.
- 3.19 There is also a requirement that the unaudited Annual Accounts be provided to and considered by a committee whose remit includes audit or governance. In recent years this committee has received the accounts prior to submission to the auditor and this is seen as good practice. As the body charged with governance it allows the committee the opportunity to take ownership of the accounts, to review them such as to be satisfied with their completeness before they are submitted for audit.

Inspection and Audit of the Accounts

- 3.20 The Local Authority Accounts (Scotland) Regulations 2014 defines the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. At least 14 days' public notice must be given prior to the commencement of the inspection period. The latest date by which the public inspection can start is 1 July 2018. The inspection must last 15 working days. As the Annual Accounts process is being undertaken to earlier deadlines this year the public inspection period will begin on 14 May 2018 and end on 4 June 2018.
- 3.21 The Regulations also require publication of the unaudited Annual Accounts, as submitted to the Auditor, on the Council's website until the audited accounts can replace them. This not only provides a means by which the public can access the accounts during the inspection period but also ensures the Council is open and transparent in its reporting.
- 3.22 On completion of the audit process, the external auditor's will present their report on the audit of the Annual Accounts to the meeting of this committee on 26 June 2018. This report will highlight any significant issues arising from the audit and inform Elected Members of the proposed audit opinion in advance of the final accounts being certified.
- 3.23 The audited Annual Accounts will also be presented to this meeting for consideration and approval for signature. Thereafter, the accounts will be signed by the Director of Resources, Chief Executive and a Council Leader. The signed accounts must be submitted to and signed by Audit Scotland no later than 30 September 2018.

Financial Performance and Review of the Accounts

- 3.24 It should be noted that the unaudited Annual Accounts are prepared according to the requirements of the IFRS based Code of Practice on Local Authority Accounting (the Code) and as a result are more complex and detailed than the information included in the monitoring reports provided to Committee throughout the year.

- 3.25 A report covering the detailed financial position of the Council was considered by the City Growth and Resources committee on 24 April 2018. This report covered the Council's revenue and capital accounts for General Fund, Housing Revenue and Common Good and the reserves and balances of the Council as at 31 March 2018.
- 3.26 Against total funding from Council Tax, Non-Domestic Rates and Revenue Support Grant of £436m, the four core services incurred net spend of £409m whilst the net spend on the corporate budgets, including capital financing costs and surpluses from trading operations, was £22m.
- 3.27 The credit rating and LSE listing has brought a number of reporting and governance requirements, including the need to consider our financial management systems, processes and routines to take into account the requirements and expectations of holding and maintaining a suitable credit rating and being an Issuer of Bonds.
- 3.28 In 2017/18 the Council's financial reporting moved from monthly to quarterly, to bring about the faster closedown and production of the Annual Accounts 2017/18. The main impact of this is the presentation of the unaudited and audited annual accounts at this committee to the earlier deadlines noted above.
- 3.29 The following paragraphs highlight some of the key sections of the Annual Accounts:
- 3.30 Management Commentary – focuses on the financial performance of the Council and its group as well as highlighting significant past and future events and comments on the economic climate within which the Council operates.
- 3.31 Comprehensive Income & Expenditure Statement (CIES) and Expenditure & Funding Analysis - reflects the income and expenditure of the Council per the Council's service structure based on the requirements of accounting standards.
- 3.32 Balance Sheet – provides information on the assets and liabilities of the Council together with its usable and unusable reserves. Net assets (i.e. assets less liabilities) have decreased by £126 million from March 2017 to a total of £1.367 billion at March 2018. The corresponding decrease in reserves reflects a £25 million and £101 million drop in usable reserves and unusable reserves respectively.
- 3.33 Common Good and Trusts – the Common Good CIES and Balance Sheet reflect an increase in the value of its net assets which has resulted in its value increasing by £3.2 million to £114.3 million at March 2018. The financial statements of the Trusts now clearly reflect the split between charitable and non-charitable trusts. This will aid the separate audit of charitable trusts, which is an OSCR (Office of the Scottish Charity Regulator) requirement and will be carried out by the Council's external auditors.

- 3.40 Group Accounts – these include the Council, its subsidiaries, associate, and joint venture companies and reflects all the significant entities the Council has a controlling interest in. The group balance sheet shows net assets and reserves of £1.481 billion. A few smaller organisations have been excluded from the financial statements due to their relative size on the grounds of materiality and as such their performance is disclosed simply in the notes to the group accounts.

Registered Charities

- 3.41 This encompasses those trusts, registered with OSCR, for which the Council (all 45 Councillors) is the sole trustee. There are nine separately registered charities which for reporting purposes can be grouped together into a single Annual Report and Accounts. The consolidated balance sheet shows a value of £7.255 million, after the elimination of intra trust balances i.e. the investment in the Lands of Skene by the Guildry and Bridge of Don trusts.
- 3.42 These accounts are subject to the same audit process as the Council with the audited accounts and related auditor's report being reported back to this committee on 26 June 2018 for approval prior to signature by the relevant officers and the Council Leader.
- 3.42 Thereafter, they will be submitted to OSCR, no later than 24 December 2018.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report.

5. LEGAL IMPLICATIONS

- 5.1 The preparation of the Annual Governance Statement is a part of the Council's compliance with the CIPFA/SOLACE guidance on 'Delivering Good Governance in Local Government'.
- 5.2 There is a statutory requirement for the Council to produce both unaudited and audited Annual Accounts within certain timescales and to a high standard in accordance with The Local Authority Accounts (Scotland) Regulations 2014, the CIPFA Code of Practice on Local Authority Accounting and generally accepted accounting practices. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	External audit reveals errors &/or adjustments	L	Officers discuss with Auditors throughout external audit process.
Legal	Risk of Legislation not being followed	L	Staff working with external audit to ensure compliance with legislation
Employee	External audit reveals errors &/or adjustments	L	Officers discuss with Auditors throughout external audit process.
Customer	Customer/relationship management	L	External Auditors will examine and scrutinise the Annual Accounts and report their findings in the Annual Audit Report.
Environment	n/a	n/a	n/a
Technology	Risk that the Finance systems could be disrupted	L	Digital strategy that includes regular and rigorous checks to protect the integrity of all systems.
Reputational	Information contained in the Annual Accounts may cause damage to the Council's reputation	L	Independent examination by senior staff and external auditors

7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	<p>The accounts for 2017/18 have recognised the role of the Council in delivering specific projects that will deliver economic impacts in their own right; and the Council's corporate role in delivering wider 'business facing' activity in supporting the competitiveness of the business environment.</p> <p>The economy is exposed to external issues such as Brexit, globalisation and higher prices, as well as macro-economic issues relating to energy prices that will have a proportionately higher direct impact on the local economy than elsewhere in Scotland and the United Kingdom.</p>
Prosperous People	The Accounts for 2017/18 provide details of income and expenditure incurred in the provision of services in Aberdeen City for the year.
Prosperous Place	The Annual Accounts report provides financial information to the people of Aberdeen regarding the services in their area. The narrative report contained within explains the governance of the Council, and projects that ACC has undertaken over the past year, along with future plans for Aberdeen City.
Enabling Technology	The aim of the Council's digital strategy is to make it easier for employees to do their jobs, give customers better choice in how they get information and use services, ensure that information is shared and to use data to make better decisions.

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

8. IMPACT ASSESSMENTS

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

9. BACKGROUND PAPERS

Delivering Good Governance in Local Government, Framework (2016 Edition)' CIPFA & SOLACE, 2016;
'Delivering Good Governance in Local Government, Guidance Note for Scottish Local Authorities (2016 Edition)' CIPFA & SOLACE, 2016;
Unaudited Annual Accounts 2017/18

10. APPENDICES

Appendix A - Unaudited Annual Accounts 2017/18
Appendix B - Aberdeen City Council Registered Charities unaudited Annual Report and Accounts 2017/18

11. REPORT AUTHOR CONTACT DETAILS

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**UNAUDITED ANNUAL ACCOUNTS
FOR THE PERIOD
1 APRIL 2017 TO 31 MARCH 2018**

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Management Commentary

Introduction

The purpose of the management commentary is to inform users of the Annual Accounts and help them assess how the Council has performed during 2017/18 and understand our financial performance for the year to 31 March 2018. It also provides an insight into the medium term financial planning we undertake to provide stability, financially, to allow our customers to have confidence that we can continue to provide the diverse portfolio of services on which they rely.

In 2017/18, we moved to a quarterly financial reporting regime including our core financial statements, which has culminated in a faster year end closedown and the production of these Annual Accounts some two months earlier than in previous years.

This publication represents the Annual Accounts of both Aberdeen City Council (the Council) and its group for the year ended 31 March 2018, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code). The Code is based on International Financial Reporting Standards (IFRS) and as such the accounts provide a reconciliation between the two reporting methodologies.

Highlights

Aberdeen City Council is the main provider of services to the city's 229,000 residents and those who visit, work and do business in the city encompassing the wider North East population. Our resources are focused on the provision of Education, Social Work, Housing and Community Services, as well as supporting investment in the city's infrastructure.

In 2017/18, Education and Children's services remained our largest spending responsibility, accounting for £225 million of our total £1,125 million service expenditure with education being provided to over 22,000 children. £134 million was spent on Social Work services as part of the Integrated Joint Board arrangement with NHS Grampian, £144 million was spent on Communities, Housing and Infrastructure Services and £94 million was spent on Council Housing – managing and maintaining 22,365 homes. The balance was spent on Housing Benefit, Corporate Governance and Chief Executive functions.

In 2017/18, we received total income of £1,120 million with this comprising £206 million and £111 million raised locally through non-domestic rates and council tax respectively whilst £120 million was received from government grants and the balance from service related grants, fees, charges and other income.

In setting its 2017/18 General Fund budget, against a backdrop of reducing revenue grant, £21.8 million of budget savings and increased income targets were approved. These comprised the increased removal of underspends from vacant posts of £5.8 million, procurement savings of £3 million, a voluntary severance scheme of £4 million, transformation savings of £3.2 million, increased fees and income targets of £2.3 million and £3.5 million of other specific service related savings. Substantially these savings were achieved, and governance was put in place to track the savings and mitigate or offset any risk areas to achieve a favourable financial position

Significant progress has been achieved on capital projects during 2017/18 with a total investment of £218 million including:

- Aberdeen Exhibition and Conference Centre - construction works are now well underway with the frameworks of all the main buildings now being in place.
- The City Centre Masterplan - progress on the Art Gallery refurbishment, plans for the re-design of Union Terrace Gardens, and the urban realm of Broad Street to complement the recently completed Marischal Square development.
- The Local Transport Strategy - continuation of works towards the opening of the Aberdeen Western Peripheral Route and associated works, along the Berryden Corridor and the new A96 Park & Choose and Dyce Drive link road.
- City Region Deal project - Aberdeen Harbour Expansion at the Bay of Nigg and enhanced digital connectivity with the expansion of the City's fibre network.

- Waste Disposal Infrastructure - the opening of the new Materials Recycling and Refuse Derived Fuel Plant at Altens East, in conjunction with the new Waste Collection depot.
- School estate - opening of the new Orchard Brae School for Complex Needs and significant progress in the construction of Stoneywood Primary and Lochside Academy, with both due to open for pupils during 2018/19.
- Community Investment - the refurbishment of the Station House Media Unit and construction commencing on the Tillydrone Community Hub.
- Rolling asset investment programmes - street lighting improvements continued with further corroded column replacements and the second year of installing new energy efficient LED lanterns.
- Council Housing - investment of £42 million, to ensure our properties meet quality standards, are free from serious disrepair and are energy efficient.

The annual review of our credit rating was undertaken during the year, with the rating affirmed in November 2017 at Aa3 with a stable outlook.

The Council and Our Plans and Performance

We are one of 32 Councils in Scotland. We have 8,600 employees and their commitment and professional expertise is critical to service delivery. The very nature of our services is such that we employ a diverse range of professionals including teachers, social workers, engineers, architects, lawyers, accountants, surveyors and administrators.

Our governance is overseen by 45 members who are elected every 5 years by the citizens of Aberdeen. Following the Local Government Election on 4 May 2017, a joint Administration was formed by the Conservative, Labour and Independent Alliance. On 23 August 2017 the Council agreed its policy statement - Stronger Together - Prosperity for Aberdeen 2017-2022 and on 11 October 2017 the Strategic Business Plan was refreshed building on the Local Outcome Improvement Plan approved in August 2016.

These policies and plans continue to build on the achievement of the council vision:

To ensure the people and place prosper and to protect the people and place from harm

The vision will be achieved through the delivery of three themes - Economy, People and Place and under these themes there are four priority areas for strategic partnership:

- Aberdeen Prospers;
- Children are our Future;
- People are resilient, included and supported when in need; and
- Empowered, resilient and sustainable communities.

A fourth theme of Technology cuts across all priorities as a key enabler of innovative and integrated future public services.

The Council operates across different planning levels from the North East region to individual localities, whilst internally planning from the corporate level to individual members of staff.

Our key documents can be found below, and these in turn refer to linked policy and planning documents:

- [Regional Economic Plan](#)

Approved in December 2015, providing a twenty year vision for the well-being of the place and our people through a longer term plan for economic development. Full details can be viewed at: <https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=122&MId=3612&Ver=4>

- [Local Outcome Improvement Plan \(LOIP\)](#)

Adopted during 2016/17, establishing improvement outcomes and associated measures for a ten year period, to be monitored and reported, in terms of outcomes, to the Community Planning Aberdeen (CPP) Board. The LOIP can be viewed at: <http://communityplanningaberdeen.org.uk/wp-content/uploads/2016/08/FINAL-LOIP-22-AUG-16.pdf>

- [Policy Statement](#)

Approved in August 2017, providing the Administrations vision, Stronger Together – Prosperity for Aberdeen 2017-2022. Full details can be viewed at: <https://committees.aberdeencity.gov.uk/documents/s73073/Policy%20Statement%20-%20Stronger%20Together.pdf>

- [Strategic Plan](#)

Refreshed and approved in February 2017, aligning the Council's vision and targets into objectives and targets. The Strategic Plan can be viewed at: <https://committees.aberdeencity.gov.uk/documents/s74880/Strategic%20Business%20Plan%20appendix.pdf>

- [The Target Operating Model](#)

On 23 August 2017, the Council approved a fundamental change in the way council services are managed and delivered through the implementation of a new Target Operating Model. Further development of the model was approved by Council on 11 December 2017 and a new governance structure aligned to the model was approved on 5 March 2018.

The reports set out a case for an organisational change resulting from the Council's operating environment.

The particular drivers for change include:

- ongoing and increasing fiscal restraints;
- evolving customer needs and expectations;
- the need to have increasingly engaged and flexible staff;
- legislative and policy changes; and
- opportunities afforded through modern technologies.

Giving consideration to these drivers, the new model aims to change the way the council works centred on the following 7 design principles:

- Customer Service
- Organisational Design
- Use of Technology
- Processes



- Workforce
- Governance/Accountability
- Relationship with partners and alliances

The key documents can be found at: <https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=122&MId=4326&Ver=4> and <https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=122&MId=4328&Ver=4>

In summary, the current directorate model will be entirely removed in favour of one bound by functional responsibility. The delivery on our priorities and ambitions, by working together, will be achieved through the interrelationship between the four main future functions of operations, resources, commissioning and customer.

The future leadership will:

- Align delivery to outcomes, breaking down directorate and service silos;
- Retain a consistency and focus on agreed outcomes, but agility around the choice of delivery model;
- Enable the investment decisions to be made about the best use of the collective Aberdeen pound;
- Put customers at the heart of operations, and creating a culture of customer excellence and community empowerment;
- Create an environment to support a 'self-sustaining' and sustainable future, enabling us to live within our means;
- Support a 'one Council' approach and avoiding silos and boundaries, reducing hierarchy and reinforcing a shared approach to delivery; and
- Create organisational capacity to enable an external and strategic focus to contribute to shaping Aberdeen as a place, and in terms of regional public services recognising the need for multi-disciplinary/ multi organisational responses to challenges and facilitating a response.

Changes to the leadership team are already taking shape with the four functional Directors and a number of Chief Officers below that in post by the end of the financial year. Work will continue in 2018/19 to complete the recruitment of Chief Officers and embed the principles and culture of the target operating model, with the leadership team working together towards the commissioning cycle, that will support improved decision making and use of resources.

Investing in our workforce

Investing in the future is an important outcome for us. However, investing is not just about infrastructure and buildings. We recognise that the ultimate success of our plans for the city depends on the quality of our workforce and so we have made significant investment in developing staff capability at all levels in order to ensure the long term sustainability of our workforce. In November 2017 we achieved external endorsement of our employee practices through achieving accreditation as a Scottish Living Wage Employer by the Poverty Alliance.

Engaging with our staff

As well as investment in staff development we recognise the importance of an engaged and committed workforce. Over the last year we have ensured that staff engagement is a key part of our Key Performance Indicators. During 2017/18 we continued to develop programmes of engagement around transformation and the transformation zone. Initiatives that have already been implemented include listening and responding to our staff through means such as opinion surveys and staff events; recognising and celebrating employee success, such as our annual STAR Awards ceremony; a focus on employee wellbeing through health fairs, free health checks and other wellbeing initiatives; and providing a means for staff to put forward ideas and suggestions through the introduction of our online Ideas Hub.

Diversity at Work

As an equal opportunities employer we comply with our obligations under the Equality Act 2010. As a diverse city we have a diverse workforce and operate with a culture which is open, fair and transparent where any unlawful or unfair discrimination, prejudice, stereotyping or harassment is challenged and addressed. We maintain pay equality within and across our workforce.

Our Relationship with Scottish and UK Governments and Europe

We work closely with both governments and seek to help to deliver national policy decisions. Significantly, work continues to progress on the City Region Deal – a commitment from both governments to invest £125 million each with ourselves and Aberdeenshire to improve the infrastructure, business diversification and digital accessibility within the region and the additional commitment to £254 million from the Scottish Government which demonstrates the strategic importance of the City as an economic engine room within the UK.

As the United Kingdom continues to negotiate the implementation of the referendum on exiting the European Union the Council continues to monitor the impact this may have on its operations. At present there is no immediate financial risk but this will be monitored to ensure any impact can be mitigated against.

Performance Management System

The Council is required to report details of its performance across a range of indicators, aligned to identified priorities each year, and does so regularly to our relevant committees. The performance of all thirty two councils in Scotland is monitored through the Local Government Benchmarking Framework, through which Audit Scotland, in part express their Statutory Direction on Performance Reporting.

The Council is involved with a number of Arm's Length External Organisations (ALEO's), a number of which form part of our group and are reflected in the group accounts on pages 141 to 151. Significant investment is made in ALEO's by the Council and proper consideration must be given to their performance and governance arrangements. An ALEO Assurance Hub is in place to scrutinise a range of information including operational and financial performance and people and risk management. This provides a strong platform from which to ensure review of the performance of ALEO's is embedded in the Council's culture.

Financial Performance

- [Balance Sheet](#)

The Balance Sheet on page 38 shows Net Assets of £1,368 million as at 31 March 2018 (£1,493 million at 31 March 2017), a reduction of £125 million. Long Term Assets have increased by £90 million (from £2,522 million at 31 March 2017), reflecting increases in the value of Property, Plant & Equipment and Heritage Assets. Short Term Assets have reduced by £171 million from the previous year, in Cash & Cash Equivalents (£125 million) and Short Term Investments (£43 million). There was no significant change in Current Liabilities. Long term liabilities have increased by £47 million, mainly due to an increase in pension liabilities.

Anticipated future liabilities are recognised as Provisions, where reasonably certain and quantifiable, and Contingent Liabilities where there is less certainty and limited or no data available to quantify any future financial liability. Full details can be found at Notes 36 and 37 on pages 103 – 105.

Total debt outstanding amounts to £936.9 million (2017 £950 million). The majority of borrowing comes from the Public Works Loans Board (PWLB) and a Bond Issuance, with the remainder coming from Market Loans and temporary borrowing from various public bodies and financial institutions.

- **Reserves**

Having reached the end of the financial year, a review of the overall position for both revenue and capital has been undertaken (as in previous years) to ensure the Council is suitably prepared for future revenue and capital investment purposes.

This review has taken cognisance of the impact of adjustments required to ensure compliance with accounting standards, particularly in relation to the Council's bond issuance which must be accounted for using an Effective Interest Rate (EIR) method rather than purely the cash transactions during the year. As the bonds are indexed linked and have a three-year repayment holiday, the use of the EIR method recognises the impact of indexation on future amounts payable, including principal repayments and in effect accounts for these in advance of the actual cash transactions. Whilst for the purposes of complying with accounting standards, this is a charge to revenue which can also be viewed as the Council de-risking its financial position by building up a reserve to cover future bond payment liabilities. It should be noted that following a review of the bond accounting entries undertaken in 2016/17, changes were made which resulted in an adjustment to the General Fund balance at 31 March 2017 which has been utilised to cover the charge to revenue in 2017/18.

The review also considered the option, as available through statutory guidance from the Scottish Government, subject to certain conditions, to use capital receipts to fund the costs of Voluntary Severance/Early Retirement and concluded this to be the most suitable option at this time. To facilitate this, capital receipts previously held in the Capital Fund have been utilised to fund the costs incurred in 2017/18 and to create a provision for 2018/19 costs. The previously identified earmarked reserve for this purpose has been utilised to de-risk the Council through the creation of the provision for future bond payment liabilities.

In certain circumstances, funds are required to be earmarked for use in future years. This can be to fulfil statutory obligations or where funding has been received but has not yet been spent. The most significant of these are income from second/long term empty homes, bus lane enforcement, pupil equity funding and general revenue grant received in advance.

Our reserves are detailed in Notes 5 and 6 on pages 59 to 64.

- **Treasury**

The first annual review of the Council's credit rating was undertaken and affirmed at Aa3 with a stable outlook in November 2017. In its credit opinion, the credit rating agency Moody's recognised the Council's "strong institutional framework" and "strong track record of operating performance". The credit rating had previously been adjusted during the year from Aa2 with a negative outlook to Aa3 with a stable outlook, in line with a downgrading of UK Sovereign Rating in September 2017.

The credit rating review followed the initial awarding of a credit rating last year in advance of the successful £370million bond issue on the London Stock Exchange.

The Council's Treasury Management Strategy for 2017/18 set the policies and boundaries for our investments and borrowings, with the stated investment priorities being a) security of capital; and b) the liquidity of investments. Full details can be viewed at:

<https://committees.aberdeencity.gov.uk/documents/s67122/CG17010%20-%20Treasury%20Strategy%20Annual%202017.pdf>

- **Revenue**

During 2017/18, the Council set a net revenue expenditure budget of £543 million (being £446 million on the General Fund and £97 million on the Housing Revenue Account). The performance during the year resulted in a surplus of £5 million (represented by £4.5 million on the General Fund and £0.5 million on the Housing Revenue Account). This reflects the service performance prior to any year-end adjustments, such as the use of reserves and statutory funds, and statutory accounting adjustments such as revaluations, depreciation and IAS 19 adjustments and can be reconciled to the Expenditure and Funding Analysis (EFA) on page 37 and the Comprehensive Income and Expenditure Statement (CIES) on page 65 as follows:

Financial Performance 2017/18	(Surplus)/ Deficit	Transfers between Funds & Other adjustments	(Surplus)/ Deficit per EFA	Statutory & Other Adjustments	(Surplus)Deficit per CIES
	£'000	£'000	£'000	£'000	£'000
General Fund	(4,483)	45,535	41,052	27,144	68,197
Housing Revenue Account	(500)	(9,460)	(9,960)	30,997	21,037
(Surplus)/Deficit on provision of services	(4,983)	36,075	31,092	58,142	89,234
Other Comprehensive Income & Expenditure					36,085
Total Comprehensive Income & Expenditure Surplus	(4,983)	36,075	31,092	58,142	125,319

- [Capital](#)

The Capital budget for the period 2017/18 to 2021/22 was set at £888 million (General Fund £722 million, Housing £166 million). Total investment in Non Housing Capital 2017/18 was £218 million. This was financed by capital grants (£59 million), Capital Fund (£20 million), increase in borrowing (£123 million), capital receipts and other income (£16 million).

The Marischal Square development was completed in November 2017. The council has entered into a number of lease agreements in relation this development which are reflected in Note 25 Leases on page 86.

- [Group Accounts](#)

The Aberdeen City Council Group consists of subsidiaries, joint ventures and associate companies that are combined with Aberdeen City Council to produce a group balance sheet with total assets of £2,961 million. This is an increase against the total assets of the Council, which are £2,847 million, and is principally due to the inclusion of the net assets of the Common Good and Trust Funds (the in-year performance of which are detailed below). Performance of subsidiary companies varied with a mixture of surpluses and deficits reported in 2017/18. Details can be seen on page 132.

- [Common Good](#)

The Common Good recorded a surplus of £0.7 million, largely due to increased rental income and lower than anticipated spend on a number of projects. As many of these projects are ongoing a sum of £0.3 million has been earmarked to provide the necessary funding to complete them during 2018/19.

The above surplus is before gains on the disposal and revaluation of assets and other accounting adjustments are applied. The value of the Common Good is £114.4 million at 31 March 2018, an increase of £3.2 million from last year, reflecting movements in the value of assets to reflect current market conditions. Further details on the Common Good can be seen at pages 126 to 128.

- [Trust Funds and 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 2018 was £10.5 million, an increase of £1 million from last year, largely due to changing asset values reflecting the current market. Further details on the Trust Funds and Endowments can be seen at pages 129 to 131.

Outlook including Risks and Uncertainties

- **Economy**

Aberdeen sits at the centre of the North East of Scotland economy which is one of the most prosperous regions in the UK. Economic activity in Aberdeen and the North East is high due to a host of factors including the Oil and Gas Sector. This diversity provides significant opportunities to sustain and grow activity in both the short and longer term.

The decline in the price of oil between 2014 and 2016 has had an impact on the Aberdeen economy. Oil & Gas UK estimate that the UK Continental Shelf (UKCS) currently supports around 330,000 jobs, most of which are highly skilled and well paid. 2017/18 has seen a limited recovery in the oil price from its historic low in January 2016, that has enabled the sector in Aberdeen to refocus and look to the future.

The Council recognises that there is a continued shortage of housing within the City to attract and house new workers. Population growth is still estimated to grow over the next 35 years and this is borne out by the views captured within the local development plan of developers within the city. The extracted data on the developer's views of construction of new houses in Aberdeen up to 2025 shows new house units of more than 11,000 units. These units will vary in size and value depending on where they are built in the city. The population is predicted to increase by a further 21,000 from 2025 to 2039, which with an average number of residents per household of 2.08, suggests a further 10,000 units are required between 2025 and 2039.

This will obviously increase pressure on a range of Council services, including roads, education and social care, as well as partner services such as health but will also provide us with new opportunities to grow our income base and further embed Aberdeen as an economic anchor in the wider UK economic performance. The housing developments referred to above will be required if this projected population growth comes to fruition and we are actively looking at how we can facilitate this continued demand pressure by generating new income streams and growing our financial strength and sustainability.

The council has prioritised prosperous Economy as one of the key themes of the Local Outcome Improvement Plan and Policy Statement, with the sub themes of investment in infrastructure, inclusive economic growth, innovation and internationalisation. The importance of supporting the wider community and economic regeneration to the success of achieving the council's wider outcomes is a key principle, with the new Target Operating Model building cohesion through the Place and City Growth functions.

- **2018/19 Budget and Medium Term Financial Outlook**

The Council set its 2018/19 General Fund revenue budget and five-year indicative capital budget on 6 March 2018. Against a backdrop of reducing revenue funding, the Strategic Transformation Committee had already approved savings for 2018/19 of £17 million on 9 February 2018 to be achieved through rationalisation of assets and third party spend and transition to the new Target Operating Model. Therefore the 2018/19 budget presented proposals to address the remaining funding gap of £4.8 million to Elected Members from which to balance the budget. The budget report and minute sets out the detailed proposals, risks and assumptions behind the future financial proposals. This can be found at: <https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=122&Mid=6119&Ver=4>

- **Risks and Uncertainties**

The council operates a risk management policy and strategy which identifies risks affecting the council, aligned to the strategic plan objectives. During 2017/18 a review of the system of risk management was undertaken and a number of actions identified for implementation to improve our risk management.

The risk review and the corporate risk register were presented to the Audit, Risk and Scrutiny Committee on 26 September 2017. The key risks to the council along with risk owners and mitigating actions are set out in this document. It can be found at:

<https://committees.aberdeencity.gov.uk/documents/s67122/CG17010%20-%20Treasury%20Strategy%20Annual%202017.pdf>

Conclusion

The Council continues to maintain a strong credit rating of Aa3 with a stable outlook, recognising “a strong institutional framework” and “a strong track record of operating performance” and thereby demonstrating external assurance on the financial governance and strength of the organisation.

The 2017/18 financial year results showed a surplus of £5 million for the year across all accounts. This shows another strong performance over the year and this surplus will be set aside to provide investment to ensure longer term stability in service delivery going forward.

We will continue to invest in our staff and the infrastructure of the City in a financially sustainable way and the changes to the council as it aligns to the new Target Operating Model give us a strong direction for the future. Investment in providing an economically diverse and culturally rich environment, we believe, will continue to make Aberdeen a location of choice.

Acknowledgement

The production of the Annual Accounts is very much a team effort involving many staff from across the organisation, as well as those in the wider Aberdeen City Council group. We would like to take this opportunity to personally acknowledge the considerable efforts of all staff in the production of the 2017/18 Annual Accounts.

Steven Whyte, FCPFA
Director of Resources

Angela Scott
Chief Executive

Councillor Douglas Lumsden
Co-Leader of the Council

8 May 2018

Statement of Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Head of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure the annual accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the annual accounts for signature

Signed on behalf of Aberdeen City Council

Councillor Douglas Lumsden
Co-Leader of the Council
8 May 2018

The Head of Finance's responsibilities:

I am responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Accounting Code).

In preparing the Annual Accounts, I have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation);

I have also:

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

I certify that these Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2018.

Steven Whyte, FCPFA
Director of Resources
8 May 2018

Annual Governance Statement

Purpose of the Annual Governance Statement

The CIPFA / SOLACE Framework "*Delivering Good Governance in Local Government: Framework (2016 Edition)*" sets out a standard for good corporate governance and a requirement for local authorities to produce an Annual Governance Statement.

The purpose of this Statement is to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, which in turn is consistent with the good governance principles in the Framework. This includes how we have monitored and evaluated the effectiveness of our governance arrangements over the previous year, and on any planned changes in the year ahead. It provides assurance in relation to our internal control structure and how we manage our resources. This Statement when compared to those from previous years demonstrates that governance arrangements are up to date and improving.

This Statement will include, as per the requirements of the Framework:

- | | |
|------------------|--|
| Section 1 | An acknowledgement of our responsibility to ensure that there is a sound system of governance in place. |
| Section 2 | Reference to and assessment of the effectiveness of the Council's governance framework and those of group entities, to the roles played in maintaining these, and to the issues raised in the previous Statement and the extent to which these have been resolved. |
| Section 3 | A commitment to monitoring implementation as part of the next annual review. |
| Section 4 | An action plan to deal with Significant Governance Issues. |
| Section 5 | An opinion on the level of assurance that the governance arrangements can, and will continue, to provide. |

Section 1 Scope of Responsibility

A governance framework has been in place at Aberdeen City Council for the year ending 31 March 2018 and up to the date of approval of the annual accounts.

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives as set out in the Strategic Business Plan 2017/18, where the role of governance, performance management and risk management are recognised as crucial in improving stewardship and how we do business. Reviewing our governance activity enables us to consider whether those objectives have led to the delivery of appropriate, cost effective services to the citizens of Aberdeen. It also provides a measure of progress towards the Target Operating Model which relies on sound governance arrangements.

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 or comply with controls, 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;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and manage those risks efficiently, effectively and economically.

The Audit, Risk and Scrutiny Committee has a key role in this and an annual report of its activities will be considered by the committee and referred to Council for its consideration. This demonstrates the Council's governance arrangements through improved transparency, understanding and challenge of the activity and outcomes from the Audit, Risk and

Scrutiny Committee. The Council also has an approved [Local Code of Corporate Governance](#). The Code sets out our commitment to the seven principles recommended in the CIPFA / SOLACE Framework 2016, by citing the primary sources of assurance which demonstrate the effectiveness of our systems of internal control.

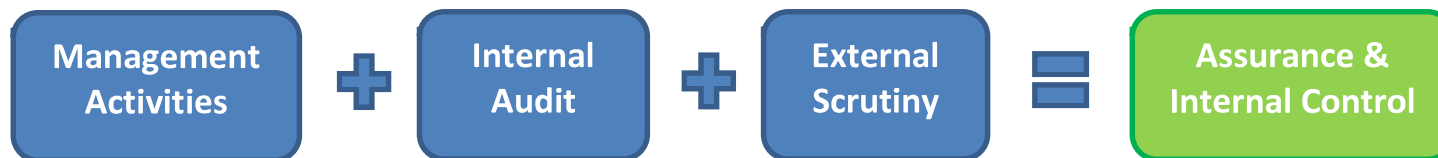
- Principle A** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Principle B** Ensuring openness and comprehensive stakeholder engagement
- Principle C** Defining outcomes in terms of sustainable economic, social and environmental benefits
- Principle D** Determining the interventions necessary to optimise the achievement of the intended outcomes
- Principle E** Developing the entity’s capacity, including the capability of its leadership and the individuals within it
- Principle F** Managing risks and performance through robust internal control and strong public financial management
- Principle G** Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The Council is a complex organisation with many controlling interests in other businesses. This statement extends to cover our relationships with the organisations included in the Council’s Group Accounts, referred to as the “ACC Group”. As such the influence, accountability and responsibilities that the Council has to the organisations which form part of its Group are vitally important and it is essential that arrangements are in place which provide assurance to the Council in its relationship with these organisations.

Section 2 Review of Effectiveness

2.1 Sources of Assurance

The Council approaches its review of governance activity with reference to three layers of assurance, namely management assurance both internally through the Council and externally through the Group; the assurance and recommendations provided by internal audit; and external audit and other external scrutiny reports.



2.1.1 Management Assurance

Each Chief Officer has reviewed the arrangements in his / her portfolio and certified their effectiveness to the Chief Officer – Governance and the Director of Resources. These are summarised in Table A below. This has included reference to the Governance Review Programme initiated in March 2016, which delivered a revised Scheme of Governance in March 2018 to support implementation of the Target Operating Model, as well as a number of additional outputs. This was overseen by the Governance Delivery Board and the elected member Governance Reference Group.

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 are incorporated into the 'Significant Governance Issues' section (Section 4) further to assessment of returns by the Chief Officer – Governance. For 2017/18, other than those included in the significant issues table below, no issues were highlighted.

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 (CFO) in Local Government (2015). Furthermore in relation to the statutory postholders, the effectiveness of the Council's arrangements can be evidenced through the relationship they have had throughout the year with the Council and its officers, being full members of the extended Corporate Management Team. In addition the CFO and Monitoring Officer, or their nominees, were in attendance to advise not only the Council at its meetings, but the Audit, Risk and Scrutiny Committee and the Finance, Policy and Resources Committee.

During 2017/18 the Council began transitioning towards the Target Operation Model and reviewed its Committee and Officer Delegations to ensure that these were aligned to the interim structure and well placed to support the transitional period. The following committees were established, in addition to the existing regulatory committees, with Terms of Reference in place for each linking all committee business to outcomes through the report template and tracker:

- Staff Governance Committee
- Public Protection Committee
- Operational Delivery Committee / Educational Operational Delivery Committee
- Strategic Commissioning Committee
- City Growth and Resources Committee
- Capital Programme Committee

Powers delegated to Officers are aligned to Directors and Chief Officers in the interim structure, with a number of general delegations assigned to all.

Group Entities

In terms of the controlling interest in the group entities, 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 as evidenced by each organisations most recent audited accounts. There are no significant areas to be included in this statement. The Council receives assurance from elected members and officers who attend board meetings and receive operational and performance information on a regular basis. The ALEO Strategic Partnership, established in 2016/17, meets quarterly and brings together senior Council officers with senior ALEO representatives to discuss corporate governance, strategic planning, business planning and horizon scanning.

A new ALEO Assurance Hub has been introduced which includes officers with expertise on corporate governance and has a remit to to provide oversight of each ALEOs risk management, financial management and governance arrangements. The Hub reports to the Audit, Risk and Scrutiny Committee three times a year where Hub officers outline the level of assurance from ALEOs and advise on the level of risk to the Council. The purpose of the Hub is to provide assurance to Council on ALEO governance whilst balancing this need with the rights of ALEOs to govern themselves as independent entities. The Hub has met on two occasions, the first in November 2017 was observed by Audit Scotland during their on-site visit to review Bon Accord Care and the second on 8 March 2018. The Hub has covered the following areas:-

- Decision Making, Board composition and capacity;
- Review of risk registers;
- Review of quarterly trading accounts and annual audited accounts;
- Review of internal and external audit arrangements;
- Implications of the Barclay Review; and
- Readiness for GDPR.

Integration Joint Board

The Aberdeen City Integration Joint Board (IJB) has taken a number of steps during 2017/18 to strengthen its governance arrangements. These include:-

- Accommodating a significant turnover in membership due to the passage of time and the Local Government elections in May 2017. Induction training was delivered in May-June 2017 and refresh training and Board workshop sessions are delivered on an ongoing basis throughout the year;
- Audited Annual Accounts agreed by the Audit and Performance Systems (APS) Committee on 21 August 2017;
- Internal and External Audit Plans for the IJB were agreed by the APS Committee and Annual Reports were considered which placed reasonable assurance on the IJB's governance arrangements;
- The 2018/19 IJB Budget and Medium Term Financial Strategy was agreed by the Board on 27 March 2018;
- IJB Standing Orders and Integration Scheme were reviewed by the Board and a formal Roles and Responsibilities document was approved by the Board which set out which areas are within the operational remit of the Chief Officer and Chief Finance Officer and which decision making powers were reserved to the Board;
- The Local Code of Governance was reviewed by the APS Committee and included sources of assurance used to measure the effectiveness of the governance principles contained in CIPFA/SOLACE's *Delivering Good Governance in Local Government* framework;
- The IJB Annual Governance Statement was approved by the APS Committee on 10 April 2018;
- A review of the Financial Governance Arrangements was undertaken by the APS Committee;
- The Board Assurance and Escalation Framework was approved by the Board which set out the Board's approach to performance, risk and financial management and which integrated the Local Code of Governance;
- A Strategic Risk Register is submitted to the APS Committee every second meeting with a mechanism in place to escalate risk to the Board. The IJB has scheduled a development workshop to focus on risk management and review risk appetite and internal controls on 24 April 2018; and
- A recruitment and selection process was agreed by the Board on 10 April 2018 to appoint to the post of Chief Officer following the current Chief Officer's resignation in February 2018.

The IJB Chief Officer considers that the internal control environment operating during the reporting period provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the internal control environment and action plans are in place to identify areas for improvement. It is the IJB Chief Officer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Aberdeen City Integration Joint Board's systems of governance.

2.1.2 Internal Audit

The Audit, Risk and Scrutiny Committee remained responsible for ensuring the effectiveness of the Internal Audit function which continued to be provided through a shared arrangement with Aberdeenshire Council's Internal Audit Team during the financial year.

In June, the Chief Internal Auditor will provide the Council with an Annual Report and Statement on its Internal Control System for the year ending 31 March 2018.

The report will provide details of the position relating to the audits contained within the 2017/18 audit plan and highlight that the majority of recommendations made had been accepted by management and if taken to full implementation will improve the Council's internal control environment. Having taken all factors into consideration the Statement on the Internal Control System as drafted concluded that reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2018. The report further confirms the organisational independence of Internal Audit.

The Audit, Risk and Scrutiny Committee received a range of reports during the year produced by Internal Audit which enabled scrutiny and questioning of officers to take place. This helped the committee to gain assurance about the identified weaknesses and the actions being taken to address them. The Internal Audit plan for 2017/18 was agreed by the

Audit, Risk and Scrutiny Committee on 22 February 2017. A total of 21 audits were completed by the end of the year, with a further 6 underway, 1 planned and 1 rescheduled to 2018/19. 293 recommendations were made of which none were classed as major at corporate level and 1 major at a service level/within the audited area. The remainder were either significant within the audited area or important within the audited area. Progress made by officers in implementing recommendations is monitored by Internal Audit and reported to each Audit, Risk and Scrutiny Committee.

2.1.3 External Scrutiny

The External Auditor, KPMG, reports regularly to the Audit, Risk and Scrutiny Committee and their reports cover the range of year end financial audits that are required at a local level and with a national perspective, together with updates on outstanding audit recommendations.

Every local authority internal audit function must be externally assessed against the Public Sector Internal Audit Standards (PSIAS) once every 5 years. In 2017 KPMG reviewed our existing function covering the PSIAS requirements as well as making comparisons to best practice for an entity listed on the London Stock Exchange. The specific recommendations made by KPMG, together with a proposed management response and details of the specific actions proposed in response to the recommendations were reported to the Audit, Risk and Scrutiny Committee in November 2017 and a series of actions agreed. Progress with these is being monitored by the Chief Officer – Governance.

The Local Scrutiny Plan 2018/19 was reported to the Corporate Management Team and following further discussion with the Council's external auditors is being adjusted ahead of its submission to the Audit, Risk and Scrutiny Committee.

2.2 Assessment of Governance

Table A below summarises governance activity against the requirements of the Local Code of Governance for the period 1 April 2017 to 31 March 2018. This includes a self evaluation of effectiveness as at 31 March 2018 thereby providing assurance around our systems of internal control:

Table A

CIPFA Principle of Good Governance	Summary of Governance Activity 2017/18
A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> ➤ Approval of a new Scheme of Governance including Powers Delegated to Officers, Committee Terms of Reference, Standing Orders, Financial Regulations and Procurement Regulations. ➤ Approval of an Annual Report template to ensure that committees review their own effectiveness against their Terms of Reference. ➤ Approval of a Bond Governance Protocol to help ensure that the Council complies with its statutory and regulatory requirements as an entity holding a credit rating and having issued bonds on the London Stock Exchange. ➤ Approval of Proper Officer Register listing statutory appointees and proper officers within the Council. ➤ Staff Governance Committee established to strengthen partnerships with trade unions and monitor staff governance standards and corporate health and safety. ➤ Public Protection Committee established to provide assurance on the following statutory regulatory duties: <ul style="list-style-type: none"> • Child protection • Adult protection • Consumer protection and environmental health • Civil contingencies • Building control • Police and Fire

CIPFA Principle of Good Governance	Summary of Governance Activity 2017/18
	<ul style="list-style-type: none"> ➤ All draft reports to full Council and committees are monitored for legal compliance (e.g. vires, state aid, procurement, equalities, data protection). ➤ Readiness Plan for implementation of the General Data Protection Regulation 2018 (in force 25 May 2018) covering risks and issues. ➤ Work to review the Whistleblowing Policy begun.
B - Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> ➤ Introduction of an ALEO Assurance Framework approved by the Audit, Risk and Scrutiny Committee in June 2017. ➤ Approval of Policy on the Appointment of Elected Members to Outside Bodies. ➤ With the exception of social work, the management of complaints is now undertaken by a centralised specialist Customer Feedback Team to help ensure complaints are handled consistently and appropriately across all council services. This includes quality checking all Stage 2 responses. ➤ A new system to manage Members Enquiries was implemented to enable the organisation to handle enquiries more effectively and reduce response times. ➤ Consultation protocol for Trade Unions to achieve consistency and quality. ➤ Participation of trade unions in the Transformation Governance Framework. ➤ Introduction of a procedure for Participation Requests under the Community Empowerment Act. ➤ Process in place for Corporate Management Team to review and respond to consultations. ➤ Consultation on the review of the Community Council Scheme of Establishment. ➤ Appointment of trade union advisors to Staff Governance Committee. ➤ Endorsement of civic leadership principles by full Council. ➤ Council approval of regional economic coordinating structures for urban governance.
C - Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ➤ The Council is a lead statutory partner in the City's Community Planning Partnership (CPP) and has approved, both as an individual organisation and as part of the CPP, the Local Outcome Improvement Plan (LOIP) which defines outcomes for the City in terms of "Economy; People, Place; and Enabling Technology". The Council has applied these same thematic areas in developing an organisational "Strategic Business Plan" which expresses both relevant outcomes and how these will be delivered. ➤ Approval of a Target Operating Model to build a Council for the future linked to the LOIP. ➤ Development of Service Improvement Plans linked to the LOIP. ➤ Approval of a Strategic Commissioning Committee with a focus on outcomes.
D - Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> ➤ Committee Terms of Reference linked to reporting trackers and a revised report template – all recommendations are linked with Committee purpose and remit ➤ Evolution of the ALEO Governance Hub to an ALEO Assurance Hub with a focus on assurance rather than scrutiny.
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> ➤ Recruitment of new Corporate Management Team – Directors of Resources, Operations, Commissioning and Customer, Chief Officer – Governance, Chief Officers – Strategic Place Planning and City Growth ➤ Powers Delegated to Officers widely revised to empower staff and improve compliance. ➤ Governance training programme developed for officers and elected members – interactive and online sessions. ➤ Training of councillors and officers on their legal duties/responsibilities (e.g. General Data Protection Regulation, Bonds, Outside Bodies and ALEOs, Appeals Committees, Licensing Board/Committee, Integration Joint Board, Pensions Committee, Councillors' Code of Conduct. ➤ Regular meetings of the Third Tier Network/Extended Corporate Management Team to develop interim transitional structure and supporting governance. ➤ Delivery of Elected Member Induction Programme "first 100 days". ➤ Multiple improvement projects progressed applying the improvement methodology, both by the Council and in partnership with other agencies. Council officers have led the development of an "Improvement Faculty" covering Community Planning partners and have been active in training colleagues in the use of the improvement methodology.

CIPFA Principle of Good Governance	Summary of Governance Activity 2017/18
	<ul style="list-style-type: none"> ➤ Capital Training Programme delivered to ensure that all those involved in managing and implementing capital projects are operating and delivering to same standards of corporate delivery. This has been delivered to officers and elected members.
F - Managing risk and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> ➤ Internal Audit's Annual Report and Internal Financial Control Statement for 2016/17 presented to Audit, Risk and Scrutiny Committee in June 2017. ➤ Completed Common Good Fund review of governance, controls and structure, web-based application form and legal acceptance criteria / scoring mechanism. ➤ Risk Management Action Plan agreed to respond to Good Governance Institute recommendations on risk approach. ➤ Approval of a new Risk Management Framework setting out risk approach and process, including: <ul style="list-style-type: none"> ○ Monthly review of Corporate Risk Register by the Corporate Management Team. ○ Development of new risk registers for each Cluster in Interim Functional Structure to be reported to Committees in September 2018. ➤ Organisational Resilience Group commissioned the development of a self assessment framework, completed the self assessment and agreed a Resilience Self-Assessment Action Plan. The Group also established a quarterly meeting cycle with incident reports and actions arising being managed by the group. ➤ Bond Governance Project team meeting quarterly. ➤ Business Continuity Internal Audit carried out. All critical function Business Continuity Plans submitted during March 2018. ➤ Development of Health and Safety Improvement Plans for each service. ➤ Creation of Establishment Control Board to manage and monitor reduction of headcount. ➤ Financial monitoring arrangements refined in order to meet the requirements of the London Stock Exchange and quarterly reports developed to include full balance sheet reporting. ➤ Credit rating annual review confirmed no change to rating with a move to a stable outlook, reflecting strong operational performance.
G - Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> ➤ Revised Committee Management Procedures and Committee Report template to help ensure informed decision making focused on outcomes. ➤ The Council applies a Performance Management approach through which regular tiered reporting is undertaken to provide the public, the Community Planning Partnership, Council and its Committees, as well as other forums, with data and information to support transparency and accountability. ➤ Improvement actions in place for the Internal Audit function after review by KPMG. ➤ Introduction of paperlight Council meetings. ➤ Introduction of quarterly financial performance reporting including core financial statements and an audited hard close at Quarter 3, prior to a faster year end close, with unaudited annual accounts completed 30 April 2018 and audited annual accounts due by 30 June 2018.

Section 3 Monitoring Implementation and Future Developments

In 2018/19 we will continue to progress with the review and monitoring of the Council's governance arrangements and a number of key activities will be completed. This will be supported by the Governance Delivery Board, which will oversee the Governance Review Programme. An action plan is in place to take forward areas of development identified by CIPFA, who will assess the Council for the Governance Mark of Excellence in 2019/20. The table below highlights the *primary* actions planned in 2018/19.

Table B

CIPFA Principle of Good Governance	Primary Actions Planned 2018/19
A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> ➤ Completion of a corporate policies and strategies register. ➤ Implementation of a digital policy framework to standardise and improve the process for developing, monitoring and reviewing the effectiveness of and compliance with policies. ➤ Development of a Leadership framework for the consideration of the Staff Governance Committee. ➤ Monitor Scheme of Governance to ensure that it supports the requirements of the interim functional structure and the Target Operating Model. ➤ First annual review by Committees of their effectiveness against Terms of Reference. ➤ Continuation of the Scheme of Governance training. ➤ Implementation of a new Scheme of Establishment and complaints process for Community Councils. ➤ Bond Governance – continue to embed implications of trading on London Stock Exchange within organisation.
B - Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> ➤ Annual review of the ALEO Assurance Hub by December 2018. ➤ As part of its commitment to transparency, the Council is participating in a programme, through the Scottish Cities Alliance, which will increasingly make “open data” available through a dedicated portal. The availability of “open data” is not only a tool for promoting openness and transparency, but is a potentially valuable resource for individuals or groups outside the Council to increase value for the city by creating insight and / or applications. ➤ Launch of the CoreHR project to deliver a cloud based HR and Payroll platform that will combine the functionality of multiple existing systems, improve staff experience through improved self-service and provide better way of developing our employees talent. ➤ The customer feedback function is to be fully consolidated, including social work complaints to ensure further consistency in complaint handling and a new system to manage complaints will be implemented early 2018/19 to help services to manage complaints more effectively. ➤ The Customer Feedback Team will continue to work with services to improve the quality and speed of responses to Elected Members. ➤ Development of models for civic leadership and engagement to strengthen collaborative decision making. ➤ Terms of Reference for Urban Governance Co-ordinating Structures.
C - Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ➤ Review of support to Trusts to ensure that funding and support is aligned with outcomes. ➤ The Strategic Commissioning Committee will perform a key role as the Council changes from budget led service provision to outcome focused delivery to deliver the Target Operating Model. It will undertake population-need assessments and will approve commissioning activity to meet those needs and the outcomes specified in the LOIP. The committee will perform a monitoring role to help ensure that the needs and outcomes identified are being achieved.
D - Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> ➤ Preparation and collation of data for first annual report to Committees. Review of annual report after first year to ensure that format is effective. ➤ Creation of Business Intelligence and Performance Management service within Commissioning Function which will accomplish better understanding of need, demand, service delivery and support data driven decision making , as well as Early Intervention and Community Empowerment service within Customer which will help to manage the increasing demand being placed on the Council's services.
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> ➤ A leadership capability framework to identify the skills and knowledge required at Service Manager level and above to be reported to the Staff Governance Committee. Once approved the framework will be used for development planning, succession planning, career planning and performance management, ensuring clarity of what's expected and consistency in approach. ➤ Development and launch of good governance training module as part of the Leadership Programme. ➤ Three month induction programme to develop the new Corporate Management Team.

CIPFA Principle of Good Governance	Primary Actions Planned 2018/19
	<ul style="list-style-type: none"> ➤ Two new management programmes will be rolled out – Step on, Step up for managers who manage teams and Lead on, Lead up for managers who manage managers. These programmes will be piloted in Building and Fleet Services as part of a culture change programme taking place in these services. ➤ A framework for embedding workforce capabilities and characteristics to support the Target Operating Model is being developed for discussion at the Staff Governance Committee in August. ➤ Development and review of Performance Review and Development ➤ Continuation of development planning sessions for new and existing Chief Officers based on outcomes from the matching/ recruitment process.
F - Managing risk and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> ➤ Implementation of a new Governance Function with a focus on risk and assurance to support the Council. ➤ Completion of Organisational Resilience Self-Assessment actions together with actions arising from incidents and exercises. Particular focus on training and exercising. ➤ Participation in a peer review for the Prevent agenda. ➤ Self testing schedule for each Business Continuity plan owner to be completed including a table top exercise. One corporate level exercise to be held to test interdependencies between plans. ➤ Creation of Risk Registers, Business Continuity plans and Health and Safety Improvement Plans for Functions within interim transitional structure. ➤ Develop business case for digital platform for closing health and safety audits, fire risk assessments, compliance monitoring, workplace inspections and incident investigations. ➤ Establish Common Good Review Panel.
G - Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> ➤ Extend paperlight to the consultation process for draft reports. ➤ Embed committee trackers for Functions to ensure clear reporting lines, timescales and accountability. ➤ Alignment of Internal Audit improvement recommendations within Governance Function.

Section 4 Significant Governance Issues Action Plan

The Annual Governance Statement from 2016/17 identified 13 significant governance issues and in reviewing the progress made by officers of these actions, 9 of these have progressed sufficiently to be removed. Four remain outstanding as at 31 March 2018. One additional issue has been added.

While the review of effectiveness allows the Council to place reasonable reliance on the Council's and its Group's systems of internal control, the Council continues to address control weaknesses identified during audits and other significant matters arising as set out below:

Table C

Issue Ref.	Issue Description	Source of Evidence	Action
	Outstanding Issues from Prior Years		
1	<p>Craft Workers Terms and Conditions</p> <p>To review the completion of timesheets and compliance with agreed terms and conditions.</p>	Internal Audit Report 2015/16	The 2017/18 Internal Audit plan contained an audit of Craft Workers Payroll, to ensure that the new terms and conditions have been implemented and complied with. However the recommendations from the 2015/16 Internal Audit report due to be implemented in June 2016 have been delayed to June 2018 due to a requirement for terms and conditions to be agreed at regional level. In view of this it is proposed to defer the planned audit to 2018/19.
2	<p>Failure to comply with the Council's decision making processes.</p> <p>Reports presented to Audit, Risk and Scrutiny Committee demonstrated a requirement to improve compliance with the Council's committee management procedures and decision making processes.</p>	Self-Evaluation 2017/2018	<p>A Scheme of Governance was approved setting out the Council's decision making processes along with updated committee management procedures. The Scheme of Governance sets out Powers Delegated to Officers in the transitional structure and to Committees. This will be kept under review as we progress towards the Target Operating Model.</p> <p>Key performance indicators will continue to be monitored and a Governance Training Programme will be implemented.</p> <p>Governance issues have arisen over the year, including powers being exercised when they had not been delegated. Further work is therefore required to embed the Scheme of Governance to remove this as a significant issue.</p>
3	<p>Scottish Child Abuse Inquiry</p> <p>Potentially, as a result of the Inquiry and subsequent potential legislation regarding the Limitation (Childhood Abuse) Act 2017, the Council could face an unquantified number of cases of child abuse.</p>	Self-evaluation 2017/18	A Governance group has been appointed and daily monitoring of the position continues.
4	<p>Kingsmead Home</p> <p>A nursing home operated by a private sector provider subject to embargo on new placements following discussions with the Care Inspectorate. Review of contract management and service delivery processes and how this information is escalated is required.</p>	Self-evaluation 2017/18	The Council assumed responsibility for the operation of the home as from 1 April 2017. BAC Ltd are now responsible for this care home. The Care Inspectorate have visited twice informally since then and are happy with the improvement they have seen. It is proposed to purchase the home with IJB helping to cover the purchase and running costs.

Issue Ref.	Issue Description	Source of Evidence	Action
	<i>New issues in 2017/18</i>		
5	<p>Multi- Storey Blocks - Inspection, Maintenance and Compliance</p> <p>Ability to track and compile data to offer assurance that we are complying with legislation; concerns that processes are not in place to track notifications that we receive advising that there are issues in any specific building following an inspection.</p>	Self-evaluation 2017/18	<p>Inspection regime in place and current processes to be reviewed with partners to ensure they are sufficient to capture issues.</p> <p>IT support to be sought to identify single system approach to recording.</p> <p>Report of the Scottish Ministerial Working group on Fire Safety and any outcomes relating to the fitting of automatic fire suppression systems awaited.</p>

Section 5 Level of Assurance Obtained

The Council has undertaken a self-evaluation of its Local Code of Corporate Governance as at 31 March 2018. This demonstrates that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its systems of governance. As the interim transitional structure beds in over the coming year, including the creation of a Governance Function, this level of assurance is expected to increase.

This review demonstrates sufficient evidence that the Code of Corporate Governance operates effectively, and provides a clear pathway for the enhancement of our governance arrangements over the coming year. We are satisfied that the programme of improvement actions will help to raise the standard of governance towards the level required to achieve CIPFA's Mark of Excellence in governance, and to provide assurance to our external auditors and other bodies with a role to play in evaluating our structures. We are also satisfied that their implementation and operation will be monitored closely as part of the next annual review.

Councillor Douglas Lumsden
Co- Leader of the Council

Angela Scott
Chief Executive

On behalf of Aberdeen City Council

8 May 2018

Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 require local authorities in Scotland to prepare a Remuneration Report as part of their Annual Accounts.

All information disclosed in Tables 1 to 9 in this report will be audited by KPMG. The other sections of the Remuneration Report will be reviewed by KPMG to ensure that they are consistent with the financial statements.

Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2017 (SSI No. 2017/66) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2016 (SSI No. 2016/6). 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.

The salary that is paid to the Leader of the Council is set out in the Regulations. For 2017/18, the salary of the Leader of Aberdeen City Council is £39,497. The Regulations permit the Council to remunerate one Lord Provost and sets out the maximum salary that may be paid. Council policy is to pay at the national maximum, £29,624.

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 £442,223. 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 five principal Committee Conveners 75 per cent of the total yearly amount payable to the Leader of the Council, £29,624, with the remaining Senior Councillors receiving 75 per cent of that sum, £22,218.

In 2017/18, Aberdeen City Council had 19 Senior Councillor posts. The salary and allowances paid to them totalled £393,029 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. During the recruitment of the Chief Executive in 2008/09, the Council agreed to pay the Chief Executive a salary based on local conditions at that time. This pay base line has not changed on any subsequent Chief Executive appointments.

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 (Salary Scale) points. Functional Directors are based on Chief Officer spinal column point 53. The City Centre Director is paid based on spinal column point 47. The Chief Social Worker and the Heads of Finance and Legal and Democratic Services are 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.

Table 3: Details of exit packages.

Table 4: Details of remuneration paid to the Council's Senior Councillors. 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		Remuneration Band (cont'd)	Number of Employees	
	2016/17	2017/18		2016/17	2017/18
£50,000 - £54,999	149	138	£150,000 - £154,999	1	2
£55,000 - £59,999	45	51	£155,000 - £159,999	-	1
£60,000 - £64,999	17	26	£160,000 - £164,999	-	1
£65,000 - £69,999	5	10	£165,000 - £169,999	-	2
£70,000 - £74,999	5	4	£170,000 - £174,999	-	1
£75,000 - £79,999	5	11	£175,000 - £179,999	-	1
£80,000 - £84,999	11	7	£180,000 - £184,999	-	2
£85,000 - £89,999	2	6	£185,000 - £189,999	-	1
£90,000 - £94,999	-	4	£190,000 - £204,999	-	-
£95,000 - £99,999	-	-	£205,000 - £209,999	-	1
£100,000 - £104,999	-	2	£210,000 - £219,999	-	-
£105,000 - £109,999	1	3	£220,000 - £224,999	-	1
£110,000 - £114,999	-	2	£225,000 - £229,999	-	1
£115,000 - £119,999	2	2	£230,000 - £234,999	-	-
£120,000 - £124,999	-	1	£235,000 - £239,999	-	2
£125,000 - £129,999	-	2	£240,000 - £259,999	-	-
£130,000 - £134,999	-	2	£260,000 - £264,999	-	1
£135,000 - £139,999	-	-	£265,000 - £289,999	-	-
£140,000 - £144,999	1	1	£290,000 - £294,999	-	1
£145,000 - £149,999	-	1	Total	244	291

Table 1 shows the total number of council employees receiving remuneration in each band, starting at £50,000. Remuneration includes early retirement/voluntary severance costs and pension strain costs.

Table 2: Total Remuneration Paid to Councillors

	2016/17 £	2017/18 £
Salaries	880,977	894,559
Allowances	-	-
Expenses	71,003	41,803
Total	951,980	936,362

Table 3: Exit Packages

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Exit Packages Approved		Cost of Exit Packages £'000					
	2016/17	2017/18	2016/17	2017/18	2016/17			2017/18		
					Benefits to Employee *	Strain on Fund *	Total	Benefits to Employee	Strain on Fund	Total
£0 - £19,999	-	-	3	115	22		22	1,039	116	1,155
£20,000 - £39,999	-	-	4	52	64	63	127	996	482	1,478
£40,000 - £59,999	-	-	-	17			-	441	364	805
£60,000 - £79,999	-	-	2	10	67	60	127	205	503	708
£80,000 - £99,999	-	-	-	14			-	235	1,044	1,279
£100,000 - £149,999	-	-	1	19	17	125	142	272	2,079	2,351
£150,000 - £199,999	-	-	-	15			-	255	2,323	2,578
£200,000 - £249,999	-	-	-	3			-	40	625	665
£250,000 - £299,999	-	-	-	1			-	23	245	268
Total	-	-	10	246	170	248	418	3,506	7,781	11,287

Table 3 shows the number of exit packages agreed during the year and the cost of those packages.

*2016/17 data updated to show benefits to employee and strain on fund separately.

Table 4: Remuneration of Senior Councillors

2016/17	Councillor Name	Responsibility	2017/18				Notes
			Salary, Fees and Allowances £	Non-Cash Expenses & Benefits-In-Kind £	Other Expenses £	Total Remuneration £	
40,626	Jennifer Laing	Co Leader of the Council	38,761	340	407	39,508	1
-	Douglas Lumsden	Co Leader of the Council	26,427	108	660	27,195	2
42,218	Barney Crockett	Lord Provost (from 17 May 2017)	28,514	944	13,841	43,299	3
-	Tom Mason	Depute Provost (from 17 May 2017 until 29 June 2017)	3,293	21	19	3,333	
-	Ryan Houghton	Business Manager (from 5 March 2018)	20,494	89	-	20,583	4
25,045	Stephen Flynn	Convener, Audit, Risk and Scrutiny	29,070	114	-	29,184	
3,168	Jackie Dunbar	Convener, Audit, Risk and Scrutiny (until 11 May 2016)	-	-	-	-	
21,081	Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	21,932	105	-	22,037	
22,277	Yvonne Allan	Convener, Staff Governance (from 5 March 18)	28,514	149	217	28,880	5
30,429	Neil Cooney	Convener, Communities, Housing and Infrastructure (until 16 May 2017)	2,782	10	8	2,800	
-	Philip Bell	Vice Convener, Operations (Environmental Spokesman)	19,956	98	468	20,522	6
-	Freddie John	Vice Convener, Strategic Commissioning (from 5 March 2018)	13,088	57	-	13,145	7
-	Brett Hunt	Vice Convener, Communities, Housing and Infrastructure (from 17 May 2017 until 23 August 2017)	7,950	75	-	8,025	
23,690	Jean Morrison MBE	Vice Convener, Communities, Housing and Infrastructure (until 16 May 2017)	2,086	10	65	2,161	
-	John Wheeler	Convener, Operational Delivery (from 5 March 2018)	26,427	118	698	27,243	8
29,785	Angela Taylor	Convener, Education and Children's Services (until 16 May 2017)	2,782	15	-	2,797	
-	Lesley Dunbar	Vice Convener, Education Operational Delivery (from 5 March 2018)	18,728	266	600	19,594	9
22,300	Scott Carle	Vice Convener, Education and Children's Services (until 16 May 2017)	2,086	15	-	2,101	
30,668	William Young	Convener, Finance, Policy and Resources (until 16 May 2017)	2,782	13	-	2,795	
23,084	Gordon Graham	Vice Convener, City Growth and Resources	22,043	867	-	22,910	10
2,528	Ross Thomson	Vice Convener, Finance, Policy and Resources (until 11 May 2016)	-	-	-	-	
35,665	John Reynolds	Convener, Licensing Committee (from 17 May 2017)	22,580	235	8,053	30,868	11
22,965	Len Ironside CBE	NHS/Social Care Integration Joint Board & Social Care Spokesperson (until 16 May 2017)	2,086	4	51	2,141	
28,015	Alan Donnelly	Depute Provost (from 5 March 2018)	22,043	207	2,591	24,841	12
42,122	George Adam	Lord Provost (until 16 May 2017)	2,782	47	-	2,829	
30,559	Marie Boulton	Convener, Capital Programme (from 5 March)	29,243	91	-	29,334	13
27,372	Ramsay Milne	Convener, Planning Development Management (until 16 May 2017)	3,086	31	82	3,199	
-	Jennifer Stewart	Convener, Public Protection	19,086	180	243	19,509	14
16,992	Andrew Finlayson	Vice Convener, Planning Development Management (until 16 May 2017)	1,589	10	-	1,599	
22,305	Ross Grant	Vice Convener, Operations Deliver (from 5 March 2018)	22,043	20	95	22,158	15
-	Sarah Duncan	NHS/Social Care Integration Joint Board & Social Care Spokesperson (from 17 May 2017)	19,956	93	62	20,111	16
-	Claire Imrie	Mental Health Spokeperson (from 5 March 2018)	1,613	8	-	1,621	
542,894	Total		463,822	4,340	28,160	496,322	

Table 4: Notes

Note 1:	Councillor Laing was also appointed as Convener of Strategic Commissioning; Urgent Business Committee: Aberdeen City Region Deal and Strategic Transformation. Prior to her current appointment Councillor Laing was Co-Leader of the Council and the Convener, Urgent Business. As such a full year disclosure of remuneration has been made.
Note 2:	Councillor Lumsden was also appointed as Convener, City Growth and Resources and Vice Convener of the Capital Programme; Urgent Business Committee and Strategic Transformation on 5 March 2018. Prior to his current appointment Councillor Lumsden was also the Convener, Finance Policy and Resources and Vice Convener Urgent Business from 17 May 2017.
Note 3:	Prior to his appointment as Lord Provost Councillor Crockett was Convener, Pensions. As such a full year disclosure of remuneration has been made.
Note 4:	Councillor Houghton was also appointed as Vice Convener Staff Governance. Prior to his current appointment Councillor Houghton was Convener, Appeals from 17 May 2017.
Note 5:	Councillor Allan was also appointed Convener Appeals Committee. Prior to her current appointment Councillor Allan was Convener Communities Housing and Infrastructure from 17 May and prior to this Convener, Appeals. As such a full year of disclosure has been made.
Note 6:	Prior to his current appointment Councillor Bell was Vice Convener, Communities Housing and Infrastructure from 17 May - 23 August 2017.
Note 7:	Prior to his current appointment Councillor John was Vice Convener, Communities Housing and Infrastructure from 24 August 2017.
Note 8:	Councillor Wheeler was also appointed Convener Education Operations Delivery. Prior to his current appointment Councillor Wheeler was Convener, Education and Children's Services (from 17 May 2017).
Note 9:	Councillor Dunbar was also appointed as Convener Licensing Board. Prior to her current appointment Councillor Dunbar was Vice Convener, Education and Children's Services from 17 May 2017.
Note 10:	Prior to his current appointment Councillor Graham was Vice Convener, Finance, Policy and Resources from 17 May 2017 and prior to this Vice Convener, Communities, Housing and Infrastructure. As such a full year disclosure of remuneration has been made.
Note 11:	Councillor Reynolds is also Vice Convener Pensions Committee. Prior to his current appointment Councillor Reynolds was Depute Provost. As such a full year disclosure of remuneration has been made.
Note 12:	Prior to his current appointment Council Donnelly was Convener, Pensions from 17 May to 23 August 2017 and prior to this Vice Convener, Finance, Policy and Resources. As such a full year disclosure of remuneration has been made.
Note 13:	Councillor Boulton is also Convener, Planning Development Management from 17 May 2017. Prior to this Councillor Boulton was Depute Council Leader. As such a full year disclosure of remuneration has been made.
Note 14:	Councillor Stewart is also Vice Convener Planning Development Management from 17 May 2017.
Note 15:	Councillor Grant is also Regeneration and Transport Spokesperson.
Note 16:	Councillor Duncan is also Vice Convener Public Protection.

Table 5: Remuneration of Senior Employees of the Council

2016/17	2016/17			2017/18	2017/18				
Full Time Equivalent £	Total Remuneration £	Name	Post Title	Full Time Equivalent £	Salary, Fees and Allowances £	Compensation for Loss of Employment £	Total Remuneration* £	Returning Officer Fee Note 1 £	Notes
148,324	153,351	Angela Scott	Chief Executive	149,807	153,801	-	153,801	1,690	
114,853	115,753	Gayle Gorman	Depute Chief Executive (Director of Education and Children's Services) (until 3 December 2017)	116,001	85,216	-	85,216	-	
114,853	109,428	Pete Leonard	Depute Chief Executive (Director of Communities, Housing and Infrastructure) (until 3 April 2017)	116,001	46,088	-	46,088	-	2
104,061	116,846	Marc Cole	City Centre Director (until 31 December 2017)	105,102	81,858	4,042	85,900	-	
84,292	84,292	Bernadette Oxley	Chief Social Work Officer	85,135	85,135	-	85,135	-	
114,853	73,787	Gordon McIntosh	Transitioning Director (until 10 August 2016)	-	-	-	-	-	
84,292	89,692	Steven Whyte	Director of Resources (from 1 January 2018)	116,001	92,851	-	92,851	-	3
-	-	Andy MacDonald	Director of Customer Services (from 5 March 2018)	116,001	9,667	-	9,667	-	
-	-	Rob Polkinghorne	Chief Operating Officer (1 from March 2018)	116,001	17,667	-	17,667	-	
84,292	84,792	Fraser Bell	Head of Legal and Democratic Services (Monitoring Officer)	85,135	85,635	-	85,635	-	
80,697	85,948	Ciaran Monaghan	Head of Service, Office of Chief Executive (until 31 October 2017)	81,504	51,692	188,093	239,785	990	4
80,697	144,185	Takki Sulaiman	Head of Communications and Promotion (until 7 May 2017)	81,504	14,293	-	14,293	-	
	1,058,074	Total			723,903	192,135	916,038		
* Some senior employees have carried out duties at Parliamentary Elections held during the year. Remuneration above includes any payment received for these duties.									
Note 1:	The total remuneration includes Returning Officer (RO) fees. An RO is the person responsible for administering a parliamentary election. These duties are separate from any duties undertaken as a local government employee. The total RO fee is regulated by The Scottish Parliament Elections (Returning Officer Fees and Charges) Regulations 2016 (SSI 2016/10). The RO can appoint one or more persons to discharge any or all of the functions of the post but cannot delegate personal responsibility for delivering the election. Angela Scott is the RO for Aberdeen City Council and during 17/18 she delegated some of the RO duties/fees to the Head of Service, Office of Chief Executive and 2 other non senior employees.								
Note 2:	The Director of Communities, Housing and Infrastructure post was vacant during 2017/18. The Council commissioned Penna to provide support to fulfil this role at a total cost of £298,280.								
Note 3:	Prior to his appointment as Director of Resources, Steven Whyte held the post of Head of Finance (s.95 Officer). As such a full year disclosure of remuneration has been made.								
Note 4:	Of the £188,093 shown for compensation for loss of employment £23,656 was paid to Ciaran Monaghan and £164,437 was the strain on the fund cost.								

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

2016/17		2017/18					
Total Remuneration £	Name	Post Title	Salary, Fees and Allowances £	Compensation for Loss of Office £	Benefits Other Than in Cash £	Total Remuneration £	Note
165,094	Graeme Cumming	Interim Managing Director Aberdeen Exhibition & Conference Centre Ltd (AECC Ltd)	24,725	-	297	25,022	1
92,575	Alistair Robertson	Managing Director Sport Aberdeen Ltd	92,400	-	-	92,400	
95,078	Sandra Ross	Managing Director Bon Accord Support Services Ltd	96,028	-	-	96,028	
352,747	Total		213,153	-	297	213,450	

Note 1: AECC Ltd ceased to be the operators of the Aberdeen Exhibition and Conference Centre on 31 March 2017. As a result the Company was wound up during 2017/18.

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 up to 31 March 2015 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.

From 1 April 2015 the pension is calculated as 1/49th of pensionable pay for each year to 31 March. This is then revalued by the appropriate factor on 1 April and carried forward into the next year.

For local government employees, this is a final salary pension scheme for all service up until 31 March 2015. 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 2015 it is a Career Average Revalued Earnings (CARE) scheme where the pension is calculated at 1/49th of the pensionable pay for the year. This is then revalued by the appropriate factor on 1 April and carried forward into the next year.

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 are as follows:

Pensionable pay	Contribution rate 2016/17	Pensionable pay	Contribution rate 2017/18
On earnings up to and including £20,500	5.5%	On earnings up to and including £20,700	5.5%
On earnings above £20,500 and up to £25,000	7.25%	On earnings above £20,700 and up to £25,300	7.25%
On earnings above £25,000 and up to £34,400	8.5%	On earnings above £25,300 and up to £34,700	8.5%
On earnings above £34,400 and up to £45,800	9.5%	On earnings above £34,700 and up to £46,300	9.5%
On earnings above £45,800	12%	On earnings above £46,300	12%

Previously, if a person worked part-time, their contribution rate was worked out on the whole-time pay rate for the job with actual contributions paid on actual pay earned. From April 2015 the contribution rate for part timers is worked out on their actual pay and not the whole-time pay rate for the job.

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 1/49th of pensionable pay (from 2009 to 2015 the accrual rate guaranteed 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 their New State Pension Age.

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 their individual pension entitlements as at 31 March 2018.

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 2018.

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 2017 £	For year to 31 March 2018 £		As at 31 March 2018 £'000	Difference from 31 March 2017 £'000
Jennifer Laing	Co Leader of the Council	7,608	7,481	Pension	6	1
				Lump Sum	2	-
Douglas Lumsden	Co Leader of the Council	-	5,101	Pension	1	1
Barney Crockett	Lord Provost (from 17 May 2017)	4,279	5,503	Pension	5	1
				Lump Sum	2	-
Ryan Houghton	Business Manager (from 5 March 2018)	-	3,955	Pension	-	-
Stephen Flynn	Convener, Audit, Risk and Scrutiny	4,814	5,611	Pension	1	-
Jackie Dunbar	Convener, Audit, Risk and Scrutiny (until 11 May 2016)	609	-	Pension	-	(4)
				Lump Sum	-	(2)
Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	4,053	4,233	Pension	4	1
				Lump Sum	2	1
Yvonne Allan	Convener, Staff Governance (from 5 March 18)	4,279	5,503	Pension	5	-
				Lump Sum	2	-
Neil Cooney	Convener, Communities, Housing and Infrastructure (until 16 May 2017)	5,706	537	Pension	7	-
				Lump Sum	2	-
Philip Bell	Vice Convener, Operations (Environmental Spokesman)	-	3,852	Pension	-	-
Freddie John	Vice Convener, Strategic Commissioning (from 5 March 2018)	-	2,526	Pension	-	-
Brett Hunt	Vice Convener, Communities, Housing and Infrastructure (from 17 May 2017 until 23 August 2017)	-	1,534	Pension	-	-
Jean Morrison MBE	Vice Convener, Communities, Housing and Infrastructure (until 16 May 2017)	4,279	403	Pension	3	-
John Wheeler	Convener, Operational Delivery (from 5 March 2018)	-	5,101	Pension	1	1
Angela Taylor	Convener, Education and Children's Services (until 16 May 2017)	5,706	537	Pension	3	1
Lesley Dunbar	Vice Convener, Education Operational Delivery (from 5 March 2018)	-	3,614	Pension	2	-
Scott Carle	Vice Convener, Education and Children's Services (until 16 May 2017)	4,279	403	Pension	2	-
William Young	Convener, Finance, Policy and Resources (until 16 May 2017)	5,706	537	Pension	4	-
				Lump Sum	2	-
Gordon Graham	Vice Convener, City Growth and Resources	4,279	4,254	Pension	4	-
				Lump Sum	1	-
Ross Thomson	Vice Convener, Finance, Policy and Resources (until 11 May 2016)	486	-	Pension	-	(2)
John Reynolds	Convener, Licensing Committee (from 17 May 2017)	4,279	4,358	Pension	5	-
				Lump Sum	2	-
Alan Donnelly	Depute Provost (from 5 March 2018)	4,279	4,254	Pension	7	2
				Lump Sum	9	-
George Adam	Lord Provost (until 16 May 2017)	5,706	537	Pension	3	1
Marie Boulton	Convener, Capital Programme (from 5 March)	5,706	5,644	Pension	5	1
				Lump Sum	2	-
Ramsay Milne	Convener, Planning Development Management (until 16 May 2017)	4,279	403	Pension	2	-
Jennifer Stewart	Convener, Public Protection	-	4,145	Pension	4	4
				Lump Sum	2	2
Ross Grant	Vice Convener, Operations Deliver (from 5 March 2018)	4,279	4,254	Pension	3	1
Sarah Duncan	NHS/Social Care Integration Joint Board & Social Care Spokesperson (from 17 May 2017)	-	3,852	Pension	-	-
Claire Imrie	Mental Health Spokeperson (from 5 March 2018)	-	311	Pension	-	-
Total		84,611	88,443	Pension	77	9
				Lump Sum	28	1

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 2017 £	For year to 31 March 2018 £		As at 31 March 2018 £'000	Difference from 31 March 2017 £'000
Angela Scott	Chief Executive	28,627	28,913	Pension	65	4
Gayle Gorman	Depute Chief Executive (Director of Education and Children's Services) (until 3 December 2017)	22,167	15,106	Pension	11	2
Pete Leonard	Depute Chief Executive (Director of Communities, Housing and Infrastructure)	22,167	1,847	Pension	41	-
				Lump Sum	74	-
Marc Cole	City Centre Director (until 31 December 2017)	20,620	15,214	Pension	4	1
Bernadette Oxley	Chief Social Work Officer	16,268	16,431	Pension	40	7
Gordon McIntosh	Transitioning Director (until 10 August 2016)	7,985	-	Pension	-	(37)
				Lump Sum	-	(250)
Steven Whyte	Director of Resources (from 1 January 2018)	16,268	17,872	Pension	30	4
				Lump Sum	45	4
Andy MacDonald	Director of Customer Services (from 5 March 2018)	-	1,866	Pension	-	-
Rob Polkinghorne	Chief Operating Officer (1 from March 2018)	-	1,866	Pension	-	-
Fraser Bell	Head of Legal and Democratic Services (Monitoring Officer)	16,268	16,431	Pension	12	2
Ciaran Monaghan	Head of Service, Office of Chief Executive (until 31 October 2017)	15,575	9,176	Pension	38	1
				Lump Sum	78	1
Takki Sulaiman	Head of Communications and Promotion	15,575	1,591	Pension	4	-
TOTAL		181,520	126,313	Pension	245	(16)
				Lump Sum	197	(245)

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			Note
		For year to 31 March 2017 £	For year to 31 March 2018 £		As at 31 March 2018 £'000	Difference from 31 March 2017 £'000	
Graeme Cumming	Interim Managing Director, Aberdeen Exhibition & Conference Centre Ltd	13,846	3,462		n/a	n/a	1
Alistair Robertson	Managing Director, Sport Aberdeen Ltd	8,640	8,640	Pension	49	2	
Sandra Ross	Managing Director, Bon Accord Support Services Ltd	14,452	14,596	Pension	9	2	
Total		36,938	26,698	Total	58	4	

Note 1: Aberdeen Exhibition & Conference Centre Ltd contributed towards a money purchase pension scheme 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.

Angela Scott
Chief Executive

Councillor Douglas Lumsden
Co-Leader of the Council

8 May 2018

PRIMARY FINANCIAL STATEMENTS

Movement in Reserves Statement

This statement shows the movement on the different reserves held by the Council analysed into usable reserves (those that can be applied to fund expenditure or reduce local taxation) and other reserves.

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 1 April 2016	(58,856)	(10,808)	(30,102)	(97)	(99,863)	(1,424,884)	(1,524,747)
Movement in Reserves during 2016/17							
Total Comprehensive Income & Expenditure	37,672	20,925	0	97	58,695	(26,924)	31,770
Adjustments between accounting basis & funding basis under regulations (note 5)	(24,901)	(21,425)	250	0	(46,076)	46,076	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	12,771	(500)	250	97	12,619	19,152	31,770
Transfers to/from Other Statutory Reserves (note 6)	(4,391)	0	4,245	0	(146)	146	0
(Increase)/Decrease in 2016/17	8,380	(500)	4,495	97	12,473	19,298	31,770
Balance at 31 March 2017 carried forward	(50,476)	(11,308)	(25,607)	0	(87,391)	(1,405,587)	(1,492,976)

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2017 brought forward	(50,476)	(11,308)	(25,607)	0	(87,391)	(1,405,587)	(1,492,976)
Movement in Reserves during 2017/18							
Total Comprehensive Income & Expenditure	70,662	18,572	0	0	89,234	36,100	125,334
Adjustments between accounting basis & funding basis under regulations (note 5)	(39,053)	(19,074)	(1,523)	0	(59,650)	59,650	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	31,609	(502)	(1,523)	0	29,584	95,750	125,334
Transfers to/from Earmarked Reserves (note 6)	(21,737)	2	17,486	0	(4,251)	4,251	0
(Increase)/Decrease in Year	9,872	(500)	15,963	0	25,333	100,001	125,334
Balance at 31 March 2018	(40,604)	(11,808)	(9,644)	0	(62,056)	(1,305,586)	(1,367,642)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with IFRS.

2016/17				2017/18		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
239,120	(9,788)	229,332	Education & Childrens Services	254,466	(10,968)	243,498
178,354	(75,845)	102,509	Communities, Housing & Infrastructure	158,450	(61,594)	96,856
218,707	(130,544)	88,163	Integrated Joint Board/Social Work	220,697	(135,970)	84,727
58,044	(57,408)	636	Housing Benefits	57,389	(55,784)	1,605
39,109	(4,447)	34,662	Corporate & Miscellaneous	63,635	(13,902)	49,733
37,849	(11,433)	26,416	Corporate Governance	45,686	(11,707)	33,979
5,761	(2,443)	3,318	Office of the Chief Executive	4,852	(1,708)	3,144
111,692	(87,565)	24,127	Housing Revenue Account	107,468	(86,431)	21,037
0	0	0	Elimination of Internal Transactions	(65,879)	65,879	0
888,636	(379,473)	509,163	Cost of Services	846,764	(312,185)	534,579
0	(2,831)	(2,831)	Other Operating Expenditure (note 8)	0	(1,273)	(1,273)
79,191	(46,534)	32,657	Financing and Investment Income and Expenditure (note 9)	92,035	(51,929)	40,106
0	(480,392)	(480,392)	Taxation and Non Specific Grant Income (note 10)	0	(484,178)	(484,178)
967,827	(909,230)	58,597	(Surplus) or Deficit on Provision of Services	938,799	(849,565)	89,234
		(14,575)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(5,332)
		404	(Surplus)/deficit on revaluation of available for sale financial assets			580
		(12,607)	Actuarial (gains)/losses on pension assets/liabilities			36,188
		(49)	Other (gains)/losses			4,664
		(26,827)	Other Comprehensive Income and Expenditure			36,100
		31,770	Total Comprehensive Income and Expenditure			125,334

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council.

1 April 2016 £'000	31 March 2017 £'000		Note	31 March 2018 £'000
2,139,615	2,238,305	Property, Plant & Equipment	29	2,298,985
172,092	172,756	Heritage Assets	28	197,370
85,937	85,335	Investment Property	26	88,552
31	0	Intangible Assets	27	0
19,061	18,656	Long Term Investments	39	18,076
19,577	7,311	Long Term Debtors	39	8,222
2,436,313	2,522,363	Long Term Assets		2,611,205
28,375	181,145	Cash and Cash Equivalents	17	56,202
31,119	141,227	Short Term Investments	39	98,705
60,080	78,677	Short Term Debtors	34	74,700
1,674	1,645	Inventories	33	1,174
3,979	5,382	Assets Held for Sale	32	6,198
125,227	408,076	Current Assets		236,979
(113,348)	(81,351)	Short Term Borrowing	39	(79,435)
(87,672)	(90,364)	Short Term Creditors	35	(74,500)
(3,870)	(4,233)	Short Term Provisions	36	(9,574)
(2,478)	(2,611)	PPP Short Term Liabilities	31	(3,222)
(5,618)	(5,515)	Accumulated Absences Account	13	(5,607)
(521)	(473)	Grants Receipts in Advance - Revenue	38	(578)
(2,221)	(518)	Grants Receipts in Advance - Capital	38	(7,855)
(215,728)	(185,065)	Current Liabilities		(180,771)

1 April 2016 £'000	31 March 2017 £'000		Note	31 March 2018 £'000
(464,892)	(900,871)	Long Term Borrowing	39	(890,982)
(223)	(108)	Long Term Creditors	39	(108)
(1,248)	(679)	Long Term Provisions	36	(679)
(103,584)	(100,973)	PPP Long Term Liabilities	31	(97,751)
(251,118)	(249,767)	Pension Liabilities	22	(310,251)
(821,065)	(1,252,398)	Long Term Liabilities		(1,299,771)
1,524,747	1,492,976	Net Assets		1,367,642
		Usable Reserves:	12	
(58,856)	(50,476)	General Fund Balance		(40,604)
(10,808)	(11,308)	Housing Revenue Account		(11,808)
(30,102)	(25,605)	Statutory and Other Reserves		(9,644)
(97)	0	Capital Grants Unapplied Account		0
(1,424,884)	(1,405,587)	Unusable Reserves	13	(1,305,586)
(1,524,747)	(1,492,976)	Total Reserves		(1,367,642)

Steven Whyte, FCPFA
Director of Resources

8 May 2018

Cash Flow Statement

The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2016/17		2017/18
£'000		£'000
(58,597)	Net Surplus or (Deficit) on the provision of services	(89,234)
137,933	Adjust net surplus or deficit on the provision of services for non cash movements	156,016
(54,546)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(53,877)
24,790	Net cash flows from Operating Activities (note 14)	12,905
(273,495)	Net cash flows from Investing Activities (note 15)	(123,402)
401,475	Net cash flows from Financing Activities (note 16)	(14,446)
152,770	Net increase or (decrease) in cash and cash equivalents	(124,943)
28,375	Cash and cash equivalents at the beginning of the reporting period	181,145
181,145	Cash and cash equivalents at the end of the reporting period (note 17)	56,202

Notes to the Accounts**1. Accounting Policies****i General Principles**

The Annual Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year ending 31 March 2018. The Council is required to prepare Annual Accounts under the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Annual 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. The CRC is a mandatory cap and trade emissions trading scheme for organisations whose electricity consumption is greater than 6000MWh or approximately £500k. 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 BenefitsBenefits 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 2.6%.
- 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;
 - unitised 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
 - 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 Annual Accounts are 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 Annual Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Annual 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 Annual 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). The 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 annual accounts. 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. In 2017/18 five of the highest value assets were revalued by external valuers to gain further assurance on their 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 annual accounts 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. In line with the level of Control that the Council exerts over these entities, they can be classified as Subsidiaries, Associates and Joint Ventures. The Council is required to prepare Group Accounts incorporating all of these entities. 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.

xviii 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 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.

xx 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 or 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. The discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. 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 – current value, determined using the basis of existing use value for social housing (EUV-SH);

- specialised properties – depreciated replacement cost (DRC);
- non-financial assets e.g. surplus assets and investment properties – fair value*; and
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

**Fair Value*

*Valuation Technique – All assets have been valued based on Level 2 of the Fair Value Hierarchy**. This uses significant observable inputs.*

There has been no change in the valuation techniques used during the year for either Investment Properties or Surplus Assets.

***Significant Observable Inputs – Level 2*

Fair value has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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.

Disposals

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, revaluation 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.

xxi 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.

xxii 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.

xxiii 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.

xxiv 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.

xxv 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 2018/19 Code:

- IFRS 9 Financial Instruments - introduces changes to the classification and measurement of financial assets, and a new Expected Credit Loss Model for impairing financial assets. The impact will be to reclassify assets that are currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets.
- IFRS 15 Revenue From Contracts with Customers – this standard provides new requirements for the recognition of revenue, based on a control-based revenue recognition model. This amendment is not expected to have a significant impact on the 2018/19 accounts.
- Amendments to IAS 12 Income Taxes: recognition of Deferred Tax Assets for Unrealised Losses - applies to deferred tax assets related to debt instruments measured at fair value.
- Amendments to IAS 7 Statements of Cash Flows: Disclosure Initiative – this amendment will involve further disclosure of Cash Flows from Financing Activities with effect from 2018/19. This amendment is not expected to have a significant impact on the 2018/19 accounts.

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 these Annual 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; and
- 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 (net value £169.7 million) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

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

The Annual 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 2018 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.
Council Dwellings – Housing Stock	Council dwellings are valued combining the Beacon Method which aggregates the vacant possession values of each unit of housing stock and the investment approach where the gross rental income is capitalised adopting an appropriate investment yield. The beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The investment yield applied is 8.75%.	If the investment yield is increased by 0.25%, this would lead to a corresponding decrease in the total value of council dwellings of £25.6m. If the investment yield is reduced by 0.25%, this would lead to a corresponding increase in the total value of council dwellings of £27.2m.
Service Concession Arrangement (PPP)	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.	The indexation adjustment is applied to approximately 50% 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 £9,208.56 and £4,479.84 per month respectively.
Pensions Liability	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.	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 £28.4 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 £28.9 million. The interaction of assumptions is therefore extremely complex. See note 21 for further assumptions.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2018 the Council had a balance of short term debtors of £129.357 million. A review of significant balances suggested that an allowance for impairment of debt of £54.657 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase of 2% on impairment would require a further provision of £2.587 million.

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.

2016/17	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	
Adjustments involving the Capital Adjustment Account (CAA):						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non current assets	(40,417)	(27,922)	0	0	0	68,339
Revaluation losses on Property, Plant and Equipment	(25,056)	(32,373)	0	0	0	57,429
Capital grants and contributions applied	36,663	6,736	0	0	0	(43,399)
Write off carrying amount of non current assets sold	(510)	(7,474)	0	0	0	7,984
Write off carrying amount of non current assets scrapped	(2,015)	0	0	0	0	2,015
Statutory provision for the financing of Capital spend (3R's)	2,478	0	0	0	0	(2,478)
Movement in the fair value of Investment Properties	(57)	0	0	0	0	57
Amortisation of Intangible Assets	(31)	0	0	0	0	31
Other adjustments	0	0	0	0	0	0
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Loan principal repayments during the year	10,599	6,001	0	0	0	(16,600)
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	3,580	22,913	0	0	0	(26,493)
Adjustments involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	250	11,289	0	(11,539)
Proceeds from sale of non current assets	860	11,079	0	(11,939)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset disposals	(630)	(20)	0	650	0	0
Adjustments involving the Capital Grants Unapplied Account:						
Adjustments involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	426	0	0	0	0	(426)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(40,405)	(1,444)	0	0	0	41,849
Employer's pensions contributions and direct payments to pensioners payable in the year	29,525	1,068	0	0	0	(30,593)
Adjustments involving the Accumulated Absences Account:						
Adjustments in relation to short term compensated absences	89	11	0	0	0	(100)
Other Adjustments	0	0	0	0	0	0
Total Adjustments	(24,901)	(21,425)	250	0	0	46,076

2017/18	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			
Adjustments involving the Capital Adjustment Account (CAA):							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non current assets	(41,549)	(29,106)	0	0	0	70,655	
Revaluation losses on Property, Plant and Equipment	(21,250)	(30,987)	0	0	0	52,237	
Capital grants and contributions applied	37,067	11,079	0	0	0	(48,146)	
Write off carrying amount of non current assets sold	(1,404)	(3,054)	0	0	0	4,458	
Write off carrying amount of non current assets scrapped	(12,337)	0	0	0	0	12,337	
Statutory provision for the financing of Capital spend (3R's)	2,611	0	0	0	0	(2,611)	
Movement in the fair value of Investment Properties	4,651	0	0	0	0	(4,651)	
Amortisation of Intangible Assets	0	0	0	0	0	0	
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Loan principal repayments during the year	13,527	7,034	0	0	0	(20,561)	
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	1,309	22,496		0	0	(23,805)	
Adjustments involving the Capital Receipts Reserve:							
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(1,523)	5,746	0	(4,223)	
Proceeds from sale of non current assets	1,732	4,555	0	(6,287)	0	0	
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(80)	(461)	0	541	0	0	
Adjustments involving the Capital Grants Unapplied Account:							
Adjustments involving the Financial Instruments Adjustment Account:							
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	427	0	0	0	0	(427)	
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(56,667)	(1,754)	0	0	0	58,421	
Employer's pensions contributions and direct payments to pensioners payable in the year	32,979	1,146	0	0	0	(34,125)	
Adjustments involving the Accumulated Absences Account:							
Adjustments in relation to short term compensated absences	(71)	(21)	0	0	0	92	
Total Adjustments	(39,055)	(19,073)	(1,523)	0	0	59,651	

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 2016 £'000	Transfers in 2016/17 £'000	Transfers Out 2016/17 £'000	Balance at 31 March 2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance at 31 March 2018 £'000	Purpose of the Earmarked Reserve
General Fund:								
ICT Projects -	(1,606)	0	790	(816)	0	816	0	Investment in ICT projects
Business Plan Service Option	(509)	0	286	(223)	0	70	(153)	Investment regarding delivery of 5 year business plan
Star Awards Sponsorship	(25)	(19)	19	(25)	(18)	18	(25)	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
Events Review	(23)	0	23	0	0	0	0	To fund an events review, and development of a 3 - 5 year strategy
Employee Benefit Scheme	(77)	0	0	(77)	0	77	0	For marketing the Employee Benefit Scheme
H&S Training Programme for Managers	(25)	0	25	0	0	0	0	Health & Safety Training Programme for Managers
Xerox Print Contract	0	(317)	0	(317)	0	217	(100)	2016/17 rebate from Xerox to fund various Data projects
Events - Silver City Stories	0	(8)	0	(8)	0	8	0	Marketing for Silver City Stories
Mither Kirk Reburial of Remains	0	0	0	0	(38)	0	(38)	Reburial of Human Remains
City Deal	(300)	0	81	(219)	0	219	0	Funding to support the city deal scheme
Fairer Aberdeen	(36)	0	36	0	0	0	0	Unspent funding to be utilised for Community Planning Aberdeen
Energy Efficiency Fund	(1,224)	0	489	(735)	(411)	0	(1,146)	Pump-prime funding for energy saving schemes
Road Repairs/Projects	(125)	0	125	0	0	0	0	Road repair and maintenance
Bus Lane Enforcement	(1,290)	(1,087)	1,788	(589)	(420)	118	(891)	As required by the relevant legislation, net income from Bus Lane Enforcement to facilitate the objective's of the Local Transport Strategy
Property Transfer	(155)	0	3	(152)	0	23	(129)	Funding in relation to the transfer of Thomas Blake Glover House to the Council
Sub Total	(5,395)	(1,431)	3,665	(3,161)	(887)	1,566	(2,482)	

	Balance at 1 April 2016 £'000	Transfers in 2016/17 £'000	Transfers Out 2016/17 £'000	Balance at 31 March 2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance at 31 March 2018 £'000	Purpose of the Earmarked Reserve
General Fund Cont'd:	(5,395)	(1,431)	3,665	(3,161)	(887)	1,566	(2,482)	
Second/Long Term Empty Homes	(6,898)	(1,872)	1,969	(6,801)	(1,503)	0	(8,304)	Additional income generated by reducing the discounts which is to be used towards funding affordable housing.
Park Improvement Schemes	(106)	0	106	0	0	0	0	Various Park Improvements
Hazlehead Pets Corner	(100)	0	100	0	0	0	0	Renovation and expansion of Hazlehead Pets Corner
Duthie Park, Winter Gardens Education Room	(39)	0	39	0	0	0	0	Work on David Welch Winter Gardens Education Room at Duthie Park
Mens Shed	(7)	0	2	(5)	0	0	(5)	Contribution to Men's Shed social club, Dyce
Balnagask Community Centre	(5)	0	5	0	0	0	0	Internal improvement scheme
Community Planning	(24)	0	15	(9)	0	9	0	Community Planning Participatory Budgeting
Devolved Education Management (Community Centres)	(870)	0	272	(598)	0	36	(562)	Community Education Centres c/forward
Devolved Education Management (School Funds)	(2,760)	0	1,903	(857)	(136)	0	(993)	School funds c/forward
Music Hall Redevelopment	(800)	0	0	(800)	0	800	0	To contribute towards the redevelopment of the Music Hall
HMT Roof Works	(288)	0	0	(288)	0	162	(126)	HMT Roof Works
Reclaiming Social Work	(3,267)	0	1,837	(1,430)	0	1,430	0	Contribution towards cost of Reclaiming Social Work project
Hilton Outdoor Centre	(25)	0	25	0	0	0	0	Improvements to outdoor area
Developing Young Workforce	(300)	0	234	(66)	0	66	0	To prepare young adults for the transition from education to the workplace
School Drive/Abbotswell	(29)	0	29	0	0	0	0	For adaptations to the school drive service.
De-risk the Council	(2,872)	(384)	217	(3,039)	0	534	(2,505)	Cash backing for Council guarantees to external organisations
Welfare Reform	(2,000)	0	2,000	0	0	0	0	Recognised priority of the Council and additional risk associated with being uncertain about the full financial impact on the Council
Scottish Welfare Fund	(35)	0	35	0	0	0	0	Unspent funding to be utilised in 2016/17 as per advice from the Scottish Government
Pupil Equity Fund	0	0	0	0	(1,621)	0	(1,621)	Scottish Government Grant to raise attainment in Schools
18/19 GRG Redetermination	0	0	0	0	(1,211)	0	(1,211)	Scottish Government Grant issued during 2017/18 carried forward to 2018/19
Investment Strategy (Digital Strategy)	(1,350)	0	684	(666)	0	666	0	ICT Digital Strategy
Sub Total	(27,170)	(3,687)	13,137	(17,720)	(5,358)	5,269	(17,809)	

	Balance at 1 April 2016 £'000	Transfers in 2016/17 £'000	Transfers Out 2016/17 £'000	Balance at 31 March 2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance at 31 March 2018 £'000	Purpose of the Earmarked Reserve
General Fund Cont'd:	(27,170)	(3,687)	13,137	(17,720)	(5,358)	5,269	(17,809)	
Investment Strategy	0	(4,335) *	0	(4,335)	0	4,335	0	Funding set aside towards the future investment strategy of the Council
Transformation Fund	(18,309)		3,331	(14,978)		3,746	(11,232)	Funding set aside towards the ongoing transformation of the Council
VS/ER	0	(5,976)	0	(5,976)	0	5,976	0	Funding set aside towards Voluntary Severance & Early Retirement
Revenue Grants Unspent	(1,380)	(530)	1,835	(75)	0	62	(13)	Various revenue grants that remained unspent at year end to which no repayment conditions apply
Big Belly Bins	(105)	0	105	0	0	0	0	To finance the next phase of city centre bin investment in partnership with Aberdeen Inspired
Building Services IT Upgrade	0	(148)	0	(148)	0	70	(78)	Equipment identified as having the specifications that are required for business/service needs, and to help drive forward productivity and efficiencies with in mobile working
Various Projects	(601)	0	313	(288)	0	107	(181)	Provide funding to support a variety of projects
Total General Fund	(47,565)	(14,676)	18,721	(43,520)	(5,358)	19,565	(29,313)	
* Restated figure for Bond adjustment in 2016/17								

	Balance at 1 April 2016 £'000	Transfers in 2016/17 £'000	Transfers Out 2016/17 £'000	Balance at 31 March 2016 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance at 31 March 2018 £'000	Purpose of the Earmarked Reserve
Housing Revenue Account (HRA):								
Housing repairs	(1,193)	(1,326)	1,193	(1,326)	(1,854)	1,326	(1,854)	Repairs ordered prior to the year end
House Sales - Non right to buy	(245)	0	0	(245)	(309)	246	(308)	One-off vacant properties sold on the open market
Total HRA	(1,438)	(1,326)	1,193	(1,571)	(2,163)	1,572	(2,162)	
Total Earmarked Reserves	(49,003)	(11,283)	19,530	(40,756)	(7,521)	21,137	(27,140)	

2016/17	General Fund £'000	HRA £'000	2017/18	General Fund £'000	HRA £'000
Total Transfers in during the year	(9,957)	(1,326)	Total Transfers in during the year	(5,358)	(2,163)
Total Transfers out during the year	18,337	1,193	Total Transfers out during the year	19,565	1,572
Net Movement in Earmarked Reserves in 2016/17	8,380	(133)	Net Movement in Earmarked Reserves in 2017/18	14,207	(591)

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 2016 £'000	Transfers In 2016/17 £'000	Transfers Out 2016/17 £'000	Balance at 31 March 2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance at 31 March 2018 £'000	Purpose of the Earmarked Reserve
Capital	(27,952)	(1,215)	5,465	(23,702)	(11,850)	27,574	(7,978)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(1,802)	(207)	451	(1,558)	(135)	354	(1,339)	To meet the cost of uninsured claims
City Improvement	(343)	(3)	6	(340)	(2)	6	(336)	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
Total Statutory and Other Funds	(30,102)	(1,425)	5,922	(25,605)	(11,987)	27,934	(9,658)	

7. Notes to the Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17			2017/18			
Net Expenditure chargeable to GF & HRA balances £'000	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000	Services	Net Expenditure chargeable to GF & HRA balances £'000	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000
210,889	18,443	229,332	Education & Childrens Services	214,062	29,436	243,498
77,487	25,022	102,509	Communities, Housing & Infrastructure	82,363	14,493	96,856
86,295	1,868	88,163	Integrated Joint Board/Social Work	83,319	1,408	84,727
636	0	636	Housing Benefits	1,605	0	1,605
30,385	4,277	34,662	Corporate & Miscellaneous	24,556	9,423	33,979
25,387	1,029	26,416	Corporate Governance	37,244	12,489	49,733
3,285	33	3,318	Office of the Chief Executive	2,979	165	3,144
(500)	24,627	24,127	Housing Revenue Account	(9,960)	30,997	21,037
433,864	75,299	509,163	Net Cost of Services	436,168	98,411	534,579
(425,975)	(24,591)	(450,566)	Other Income and Expenditure	(405,076)	(40,269)	(445,345)
7,889	50,708	58,597	(Surplus) or Deficit on Provision of Services	31,092	58,142	89,234
(69,665)			Opening General Fund and HRA Balance at 31 March 2017	(61,784)		
7,889			(Surplus)/deficit on General Fund and HRA Balance in Year	31,092		
(8)			To/From Other Statutory Reserves	(21,720)		
(61,784)			Closing General Fund and HRA Balance at 31 March 2018	(52,412)		

Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2016-17

	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Education & Childrens Services	22,412	805	(4,775)	18,443
Communities, Housing & Infrastructure	31,874	780	(7,633)	25,022
Integrated Joint Board/Social Work	1,658	233	(22)	1,868
Housing Benefits	0	0	0	0
Corporate and Miscellaneous Services	40	21	4,216	4,277
Corporate Governance	915	843	(730)	1,029
Office of the Chief Executive	0	41	(8)	34
HRA	60,295	89	(35,757)	24,627
Net Cost of Services	117,195	2,812	(44,708)	75,299
Other Income and Expenditure from the Funding Analysis	(38,032)	8,444	4,996	(24,591)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit	79,164	11,256	(39,712)	50,708

Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2017/18

	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Education & Childrens Services	30,698	3,895	(5,157)	29,436
Communities, Housing & Infrastructure	18,907	3,721	(8,135)	14,493
Integrated Joint Board/Social Work	414	1,137	(143)	1,408
Housing Benefits	0	0	0	0
Corporate and Miscellaneous Services	14,557	8,039	(685)	21,911
Corporate Governance	0	0	0	0
Office of the Chief Executive	0	163	2	165
HRA	60,094	412	(29,508)	30,998
Net Cost of Services	124,670	17,367	(43,626)	98,411
Other Income and Expenditure from the Funding Analysis	(46,123)	6,929	(1,075)	(40,269)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit	78,547	24,296	(44,701)	58,142

8. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2016/17 £'000		2017/18 £'000
(2,831)	Gains on the disposal on non current assets	(1,273)
(2,831)	Total	(1,273)

9. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2016/17 £'000		2017/18 £'000
35,072	Interest payable and similar charges	47,244
8,224	Pensions interest cost and expected return on pensions assets	5,818
(771)	Interest receivable and similar income	(500)
(5,900)	Income and Expenditure in relation to investment properties and changes in their fair value	(9,696)
(3,968)	Other Investment income	(2,760)
32,657	Total	40,106

10. Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income

2016/17 £'000		2017/18 £'000
(104,192)	Council Tax Income	(110,472)
(217,418)	Non domestic rates	(205,547)
(115,384)	Non ring-fenced government grants	(120,013)
(43,398)	Capital grants and contributions	(48,146)
(480,392)	Total	(484,178)

11. **Comprehensive Income and Expenditure Statement – Material Items of Income and Expense**

There are no material items for 2017/18.

12. **Balance Sheet – Usable Reserves**

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

13. **Balance Sheet – Unusable Reserves**

31 March 2017		31 March 2018
£'000		£'000
(1,006,602)	Revaluation Reserve	(981,085)
141	Available for Sale Financial Instruments Reserve	721
(670,290)	Capital Adjustment Account	(656,535)
15,882	Financial Instruments Adjustment Account	15,455
249,767	Pensions Reserve	310,251
5,515	Accumulated Absences Account	5,607
(1,405,587)	Total	(1,305,586)

Revaluation Reserve

The Revaluation Reserve contains the gains/loses 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.

2016/17			2017/18	
£'000	£'000		£'000	£'000
	(1,015,671)	Balance at 1 April		(1,006,602)
(38,544)		Upward revaluation of assets	(47,040)	
23,969		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	41,708	
	(14,575)	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		(5,332)
23,597		Difference between fair value depreciation and historical cost depreciation	24,309	
97		Accumulated gains on assets sold or scrapped	7,086	
	23,694			31,395
	(50)	Amount written off to the Capital Adjustment Account		(546)
	(1,006,602)	Balance at 31 March		(981,085)

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.

2016/17			2017/18	
£'000	£'000		£'000	£'000
	(264)	Balance at 1 April		141
0		Upward revaluation of investments	0	
405		Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	580	
	405			580
	141	Balance at 31 March		721

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.

2016/17 £'000		2017/18	
		£'000	£'000
(681,994)	Balance at 1 April		(670,290)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
68,339	Charges for depreciation and impairment on non current assets	70,655	
57,359	Revaluation losses on Property, Plant and Equipment	52,237	
31	Amortisation of intangible assets	0	
10,333	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	16,795	
136,062		139,687	
(23,643)	Adjusting amounts written out of the Revaluation Reserve	(30,849)	
112,419	Net written out amount of the cost of non current assets consumed in the year		108,838
	Capital financing applied in the year:		
(11,539)	Use of the Capital Receipts Reserve to finance new capital expenditure	(4,224)	
0	Use of the Capital Fund to finance new capital expenditure	0	
(43,398)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(48,146)	
(16,600)	Loans Fund principal repayments	(20,561)	
(26,492)	Capital expenditure charged against the General Fund and HRA balances	(23,805)	
(2,478)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	(2,611)	
(100,507)			(99,347)
(332)	Deferred Capital Receipt		8,915
124	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(4,651)
(670,290)	Balance at 31 March	0	(656,535)

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.

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 2015 will be charged to the General Fund over the next 45 years.

2016/17 £'000		2017/18	
		£'000	£'000
16,308	Balance at 1 April		15,882
	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements		
(29)	Long Term Borrowing – Stepped Loans	(30)	
(397)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(397)	
(426)	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		(427)
15,882	Balance at 31 March		15,455

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 employer's 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.

2016/17 £'000		2017/18	
		£'000	£'000
251,118	Balance at 1 April		249,767
(12,607)	Remeasurements of the net defined benefit liability		36,188
41,849	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		58,421
(30,593)	Employer's pensions contributions and direct payments to pensioners payable in the year		(34,125)
249,767	Balance at 31 March		310,251

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.

2016/17		2017/18	
£'000		£'000	£'000
5,618	Balance at 1 April		5,515
(5,618)	Settlement or cancellation of accrual made at the end of the preceding year	(5,515)	
5,515	Amounts accrued at the end of the current year	5,607	
(103)	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		92
5,515	Balance at 31 March		5,607

14. Cash Flow Statement – Operating Activities

2016/17		2017/18
£'000		£'000
(58,597)	Net surplus or (deficit) on the provision of services ^	(89,234)
(58,597)		(89,234)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
68,339	Depreciation	70,655
57,429	Impairment, downward revaluations & non sale derecognitions	52,237
30	(Increase)/Decrease in Stock	470
(6,664)	(Increase)/Decrease in Debtors	2,982
723	Increase/(Decrease) in Creditors	(8,331)
11,256	Movement in Pension Liability	24,296
10,332	Carrying amount of non current assets sold	16,795
(3,600)	Contributions to Other Reserves/Provisions	1,563
31	Amortisation of Intangible Assets	0
57	Movement in value of investment properties	(4,651)
137,933		156,016
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(43,398)	Receipt of Capital Grants and Contributions	(48,146)
(11,148)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(5,731)
(54,546)		(53,877)
24,790	Net cash flows from operating activities	12,905

^ includes the following:

2016/17		2017/18
£'000		£'000
771	Interest received	500
(30,737)	Interest paid	(47,244)

15. Cash Flow Statement – Investing Activities

2016/17		2017/18
£'000		£'000
(217,933)	Purchase of property, plant and equipment, investment property and intangible assets	(219,801)
(110,108)	Purchase of short term and long term investments	42,523
11,798	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,271
(650)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(540)
43,398	Capital grants and contributions received	48,146
(273,495)	Net cash flows from investing activities	(123,402)

16. Cash Flow Statement – Financing Activities

2016/17		2017/18
£'000		£'000
(29)	Other receipts from financing activities	(29)
(2,478)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(2,611)
(31,998)	Repayment of amounts borrowed	(11,806)
435,980	New borrowings	0
401,475	Net cash flows from financing activities	(14,446)

17. Cash Flow Statement – Cash and Cash Equivalents

31 March 2017		31 March 2018
£'000		£'000
38	Cash held by the Authority	47
181,107	Bank current accounts	56,155
0	Short term deposits with building societies	0
181,145	Total cash and cash equivalents	56,202

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:

		2015/16		2016/17		2017/18	
		£'000	£'000	£'000	£'000	£'000	£'000
Building and Maintenance							
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: £2.346 million.	Turnover	(31,476)		(30,601)		(29,401)	
	Expenditure	29,105		29,945		30,087	
	Interest	(3)		(2)		0	
	Net (Surplus)/Deficit		(2,374)		(658)		686
	Refunds/(Charges)		0		0		0
	Net (Surplus)/Deficit		(2,374)		(658)		686
Provision and Management of Car Parking Facilities							
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. Cumulative surplus over the last three operational financial years: £10.427 million.	Turnover	(8,444)		(8,040)		(8,397)	
	Expenditure	4,877		4,821		5,075	
	Interest	(104)		(91)		(124)	
	Net (Surplus)/Deficit		(3,671)		(3,310)		(3,446)
Net (Surplus)/Deficit on Trading Operations (excluding Letting of Properties)			(6,045)		(3,968)		(2,760)
Letting of Industrial, Commercial and Other Properties							
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. Cumulative surplus in the last three financial years: £21.660 million.	Turnover	(6,425)		(7,122)		(13,717)	
	Expenditure	1,934		1,763		30	
	Exceptional Items	(864)		57		4,651	
	Interest	(709)		(598)		(660)	
	Net (Surplus)/Deficit		(6,064)		(5,900)		(9,696)
Net (Surplus)/Deficit on Trading Operations			(12,109)		(9,868)		(12,456)

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.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Net (Surplus)/Deficit on trading operations	(12,109)	(9,868)	(12,456)
Investment Properties	(6,064)	(5,900)	(9,696)
Other Trading Operations	(6,045)	(3,968)	(2,760)
Net Surplus credited to Financing and Investment Income and Expenditure (note 8)	(12,109)	(9,868)	(12,456)

19. Agency Services

The Council has an agreement with Scottish Water whereby it collects water and waste charges in conjunction with collection of Council Tax. The income received from this service in 2017/18 was £760,750 (2016/17, £760,750).

20. External Audit Costs

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

	2016/17 £'000	2017/18 £'000
Fees payable with regard to external audit services undertaken in accordance with the Code of Practice *	411	410
Fees payable in respect of other services provided by the appointed auditor over and above the above duties	574	0
Audit of financial statements of subsidiaries pursuant to legislation	10	9
Total	995	419
* Of the amount paid to Audit Scotland in 2017/18 £226k relates to auditor remuneration (2016/17, £225k)		

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 the Annual 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 2017, the Council's own contributions equate to approximately 2.7%.

In 2017/18, the council paid £10.912 million to the Scottish Government in respect of teachers' pension costs, which represents 17.2% of teachers' pensionable pay. The figure for 2016/17 was £10.890 million representing 17.2% 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 11 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, 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 or on request from the Head of Finance, Marischal College, Broad Street, Aberdeen, AB10 1AB.

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 authority of the Local Government Pension 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:

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		Scottish Teachers Superannuation Scheme £'000	
	2016/17	2017/18	2016/17	2017/18
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
Service cost comprising:				
• current service cost	32,595	45,846	0	0
• administration expenses	537	554	0	0
• past service costs	135	0	0	0
• loss from settlements	358	6,203	0	0
Financing and Investment Income and Expenditure				
• net interest expense	7,255	5,064	969	754
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	40,880	57,667	969	754
<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)	(178,631)	(20,423)	0	0
• actuarial gains and losses arising on changes in demographic assumptions	(20,666)	45,104	0	(131)
• actuarial gains and losses arising on changes in financial assumptions	223,491	937	4,037	(361)
• other	(39,220)	11,062	(1,618)	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	25,854	94,347	3,388	262
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(40,880)	57,667	(969)	(754)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	26,455	30,029	0	0
• retirement benefits payable to pensioners	2,402	2,369	1,736	1,727

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		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Present value of the defined benefit obligation	(1,225,962)	(1,434,039)	(1,545,476)	(41,382)	(45,082)	(46,241)
Fair value of plan assets	1,004,213	1,215,293	1,264,781	0	0	
Sub total	(221,749)	(218,746)	(280,695)	(41,382)	(45,082)	(46,241)
Scottish Teachers Superannuation Scheme	(29,369)	(31,021)	(29,556)	0	0	0
Net liability arising from defined benefit obligation	(251,118)	(249,767)	(310,251)	(41,382)	(45,082)	(46,241)

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £310.251 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit are as follows:

- 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 2019 is £27.4 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2019 are £4.2 million.

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	
	2016/17	2017/18	2016/17	2017/18
Opening fair value of scheme assets	1,004,213	1,215,293	0	0
Interest income	35,110	30,373	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	178,631	20,423	0	0
• Other	(537)	(554)	0	0
The effect of changes in foreign exchange rates	0	0	0	0
Contributions from employer	28,857	32,398	2,832	2,325
Contributions from employees into the scheme	8,205	8,553	0	0
Benefits paid	(39,186)	(41,705)	(2,832)	(2,325)
Other			0	0
Closing fair value of scheme assets	1,215,293	1,264,781	0	0
	Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000			
	2016/17	2017/18		
Opening fair value of scheme assets	0	0		
Contributions from employer	1,736	1,727		
Benefits paid	(1,736)	(1,727)		
Closing fair value of scheme assets	0	0		

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 £103.785 million (2016/17, £213.741m).

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

	Total Liabilities: Local Government Pension Scheme £'000		Includes: Discretionary Benefits £'000	
	2016/17	2017/18	2016/17	2017/18
Opening balance at 1 April	(1,225,962)	(1,434,039)	(41,382)	(45,082)
Current service cost	(32,595)	(45,846)	0	0
Interest cost	(42,365)	(35,437)	(1,398)	(1,099)
Contributions from scheme participants	(8,205)	(8,553)	0	0
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	20,666	(45,104)	598	(849)
• Actuarial gains/losses arising from changes in financial assumptions	(223,491)	(937)	(5,732)	0
• Other	39,220	(11,062)	0	(1,536)
Past service cost	(135)	0	0	0
Losses/(gains) on settlement/curtailment	(358)	(6,203)	0	0
Benefits paid	39,186	41,705	2,832	2,325
Closing balance at 31 March	(1,434,039)	(1,545,476)	(45,082)	(46,241)
	Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000			
	2016/17	2017/18		
Opening balance at 1 April	(29,369)	(31,021)		
Interest cost	(969)	(754)		
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	0	131		
• Actuarial gains/losses arising from changes in financial assumptions	(4,037)	361		
• Other	1,618	0		
Benefits paid	1,736	1,727		
Closing balance at 31 March	(31,021)	(29,556)		

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2016/17 £'000	%	Fair value of scheme assets 2017/18 £'000	%
Cash and cash equivalents	19,444	1.6%	20,236	1.6%
Equity instruments:				
• UK quoted and unquoted	236,371		246,632	
• Global quoted and unquoted	222,156		240,308	
• Global Frontier Fund	0		0	
• Pooled UK & Global	368,234		345,285	
Sub total equity	826,761	68.0%	832,225	65.8%
Bonds:				
• Corporate	19,445		15,177	
• Government	134,898		94,859	
Sub total bonds	154,343	12.7%	110,036	8.7%
Property:				
• UK Direct	82,640		89,799	
• Property funds - Global	0		0	
• Property funds - UK	2,431		2,530	
Sub total property	85,071	7.0%	92,329	7.3%
Private equity:				
• European	15,799		13,913	
• UK	2,431		3,794	
• Global	42,536		48,062	
Sub total private equity	60,766	5.0%	65,769	5.2%
Other investment funds:				
• Infrastructure	2,431		18,972	
• Diversified Growth Funds	65,626		93,594	
• Other Loan Fund	851		1,265	
• Multi Asset Credit	0		30,355	
Sub total other investment funds	68,908	5.7%	144,186	11.4%
Total assets	1,215,293	100.0%	1,264,781	100.0%

Basis for estimating Assets and Liabilities

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 2014.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2016/17	2017/18	2016/17	2017/18
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.9	22.7	24.6	22.7
Women	24.1	24.9	25.7	24.9
Longevity at 65 for future pensioners:				
Men	23.5	25.6	-	-
Women	26.3	27.9	-	-
Rate of inflation	2.2%	2.2%	2.2%	2.3%
Rate of increase in salaries	3.2%	3.7%	3.2%	3.7%
Rate of increase in pensions	2.2%	2.3%	2.2%	2.3%
Rate for discounting scheme liabilities	2.5%	2.6%	2.5%	2.6%

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 Net Liability £'000
Longevity (increase by 1 year in life expectancy)	30,157
Rate of inflation (increase by 0.1%)	28,905
Rate of increase in salaries (increase by 0.1%)	4,518
Rate for discounting scheme liabilities (increase by 0.1%)	(28,375)

23. Events after the Balance Sheet Date

The unaudited Annual Accounts were authorised for issue by the Head of Finance on 8 May 2018. Events taking place after this date are not reflected in the annual accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the annual accounts 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).

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017/18 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 2017/18 payments to 25 organisations, amounting to £11.7 million (2016/17, 38 organisations, £46.9 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

Other Public Bodies

The Council is the administering authority for the North East Scotland Pension Fund and it charged the Pension Fund £1.445 million for this service in 2017/18 (2016/17, £1.274 million).

For 2017/18 the Council paid £34.125 million to the Pension Fund representing its employer contributions in respect of current and former employees (2016/17, £32.221 million).

Entities Controlled or Significantly Influenced by the Council

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

	2016/17		2017/18		Debtors		Creditors	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Joint Boards								
Grampian Valuation Joint Board	0	1,558	0	1,494	0	0	0	0
AECC/Mountwest Ltd	0	1,140	0	0	533	0	0	0
Common Good	1,900	48	1,658	108	0	0	0	0
Trust Funds	297	27	46	31	4,075	4,009	0	0
Aberdeen Sports Village	31	1,195	19	1,027	0	0	0	0
Sport Aberdeen	486	5,936	207	6,093	55	1,600	0	(1)
Aberdeen Heat & Power	15	3,097	17	3,135	0	0	0	0
NESTRANS	1,139	799	815	1,337	639	499	0	0
SDPA	0	84	0	173	0	0	0	0
Scotland Excel	0	141	0	141	0	0	0	0
Bon Accord Care	30	45	9	88	65	71	(11)	(11)
Bon Accord Support Services	1,651	27,202	1,589	29,283	2,846	4,777	(4,975)	(375)
Aberdeen City Integration Joint Board	117,081	91,258	122,351	90,030	0	0	(4,767)	(3,639)

The majority of these bodies form part of the Council's group accounts which are set out on pages 132 to 150.

25. Leases

Council as Lessee

Operating Leases

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

	Land and Buildings		Electric Vehicles	
	31 March 2017 * £'000	31 March 2018 £'000	31 March 2017 * £'000	31 March 2018 £'000
Not later than one year	1,358	5,862	32	38
Later than one year and not later than five years	1,890	21,052	43	23
Later than five years	4,768	173,352	0	0
	8,016	200,266	75	61

* 2016/17 figures amended to reflect updated information

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 2017	31 March 2018
	£'000	£'000
Not later than one year	373	733
Later than one year and not later than five years	1,118	1,628
	1,491	2,361

Council as Lessor

Operating Leases

The Council leases out land and buildings for a variety of purposes. It also leases out hydrogen buses to the two local bus operators. The future minimum lease payments due under non cancellable leases in future years are:

	Land and Buildings		Hydrogen Buses	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£'000	£'000	£'000	£'000
Not later than one year	6,844	5,652	80	80
Later than one year and not later than five years	15,824	14,586	112	32
Later than five years	162,747	166,948	0	0
	185,415	187,186	192	112

26. Investment Properties

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

	31 March 2017	31 March 2018
	£'000	£'000
Rental and interest income from investment property	(7,720)	(14,377)
Expenses arising from investment property	1,763	30
Revaluation (gains)/losses	57	4,651
Net (gain)/loss	(5,900)	(9,696)

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:

	2016/17	2017/18
	£'000	£'000
Balance at start of the year	85,937	85,335
Additions:		
• Purchases	0	0
Disposals	(125)	(1,784)
Net gains/losses from fair value adjustments	(47)	4,651
Transfers:		
• to/from Property, Plant and Equipment	(430)	350
Balance at end of the year	85,335	88,552

27. 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 2018 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. No amortisation was charged to revenue in 2017/18.

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

	2016/17	2017/18
	Software	Software
	Licences	Licences
	£'000	£'000
Balance at start of year:		
• Gross carrying amounts	242	157
• Accumulated amortisation	(211)	(157)
Net carrying amount at start of year	31	0
Amortisation for the year	(31)	0
Net carrying amount at end of year	0	0
Comprising:		
• Gross carrying amounts	157	0
• Accumulated amortisation	(157)	0
	0	0

28. 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
Cost or valuation							
At 1 April 2016	608	1,995	17	10	169,162	300	172,092
Additions	0	0	0	0	18	0	18
Revaluations	0	0	0	0	754	0	754
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	0	(108)	0	0	0	0	(108)
At 31 March 2017	608	1,887	17	10	169,934	300	172,756
Cost or valuation							
At 1 April 2017	608	1,887	17	10	169,934	300	172,756
Additions	0	0	0	0	0	0	0
Disposals	0	(274)	0	(10)	(1,172)	0	(1,456)
Revaluations	0	6	0	0	26,064	0	26,070
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
At 31 March 2018	608	1,619	17	0	194,826	300	197,370

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 includes a Mary Queen of Scots coin dated 1555 which was valued in 1992. The Science, Technology & Industry collection includes 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.

ii 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, 14th 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 13th to the 20th century. In addition to that group are the 14th 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 was reported in the Balance Sheet. The Rawlins of London Carriage dated 1817 valued at £10,000 has now been transferred to the Grampian Transport Museum.

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 19th and 20th century Scottish art, early 20th century English art and a growing collection of challenging international art of the 21st 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 Sotheby's at £70 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 16th 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 19th and early 20th 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.

29. Property, Plant and Equipment

Movements in 2016/17:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2016	957,477	947,465	60,028	237,213	24,437	22,164	71,256	2,320,040	178,886
Additions	41,833	21,974	7,370	22,187	1,643	17	126,694	221,718	20
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,322	(10,933)	0	0	0	(360)	0	(7,971)	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(29,373)	(42,721)	0	0	0	(3,356)	0	(75,450)	0
Derecognition – Disposals	(6,733)	(155)	(3,428)	0	0	(39)	0	(10,355)	0
Derecognition – Other	0	(2,073)	(1,261)	0	0	(241)	0	(3,575)	0
Reclassifications and Transfers	(1,789)	1,312	0	0	0	(1,897)	0	(2,374)	0
At 31 March 2017	964,737	914,869	62,709	259,400	26,080	16,288	197,950	2,442,033	178,906
Accumulated Depreciation and Impairment									
At 1 April 2016	(636)	(66,184)	(27,135)	(86,471)	0	0	0	(180,426)	(3,081)
Depreciation charge	(27,922)	(26,212)	(6,236)	(7,968)	0	0	0	(68,338)	(3,081)
Depreciation written out to the Revaluation Reserve	353	21,949	0	0	0	0	0	22,302	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	79	18,012	0	0	0	0	0	18,091	0
Derecognition – Disposals	179	16	2,832	0	0	0	0	3,027	0
Derecognition – Other	0	354	1,262	0	0	0	0	1,616	0
At 31 March 2017	(27,947)	(52,065)	(29,277)	(94,439)	0	0	0	(203,728)	(6,162)
Net Book Value									
At 31 March 2017	936,790	862,804	33,432	164,961	26,080	16,288	197,950	2,238,305	172,744
At 31 March 2016	956,841	881,281	32,893	150,742	24,437	22,164	71,256	2,139,614	175,805

Property, Plant and Equipment

Movements in 2017/18:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PPP Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2017	964,737	914,869	62,709	259,400	26,080	16,288	197,950	2,442,033	178,906
Additions	42,182	16,815	3,246	16,376	2,155	9	138,249	219,032	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	348	(29,894)	0	0	0	563	0	(28,983)	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(30,987)	(36,219)	0	0	0	(29)	0	(67,235)	0
Derecognition – Disposals	(2,269)	0	(473)	0	0	(5,681)	(4,401)	(12,824)	
Derecognition – Other	0	(150)	(4,558)	0	0	247	(49,770)	(54,231)	0
Reclassifications and Transfers	(541)	49,174	0	0	0	0	0	48,633	0
At 31 March 2018	973,470	914,595	60,924	275,776	28,235	11,397	282,028	2,546,425	178,906
Accumulated Depreciation and Impairment									
At 1 April 2017	(27,947)	(52,065)	(29,277)	(94,439)	0	0	0	(203,728)	(6,162)
Depreciation charge	(29,034)	(24,492)	(8,446)	(8,684)	0	0	0	(70,656)	(3,082)
Depreciation written out to the Revaluation Reserve	8	6,737	0	0	0	0	0	6,745	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	14,998	0	0	0	0	0	14,998	0
Derecognition – Disposals	120	0	379	0	0	0	0	499	
Derecognition – Other	0	144	4,558	0	0	0	0	4,702	0
At 31 March 2018	(56,853)	(54,678)	(32,786)	(103,123)	0	0	0	(247,440)	(9,244)
Net Book Value									
At 31 March 2018	916,617	859,917	28,138	172,653	28,235	11,397	282,028	2,298,985	169,662
At 31 March 2017	936,790	862,804	33,432	164,961	26,080	16,288	197,950	2,238,305	172,744

Depreciation – Useful Lives

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

- Council Dwellings – up to 25 years
- Other Land and Buildings – up to 75 years
- Vehicles, Plant and Equipment – up to 20 years
- Infrastructure – up to 50 years

Capital Commitments

As at 31 March 2018, the Council has a number of ongoing and new contracts for the construction or enhancement of Property, Plant and Equipment budgeted to cost £310.775 million next year. Similar commitments as at 31 March 2017 were £289.030 million. The major projects are:

- Housing – New build housing - £8.553 million
- Housing – Structural repairs to multi storey flats - £3.29 million
- Non Housing – New Aberdeen Exhibition & Conference Centre - £118.624 million
- Non Housing – Aberdeen Western Peripheral Route - £20.041 million
- Non Housing – Planned renewal & replacement of roads infrastructure - £5.148 million

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 Debbie Wyllie, 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 2018	0	271,716	0	0	0	11,397	0	283,113
31 March 2017	9,562	205,166	0	0	0	9,852	0	224,580
31 March 2016	966,184	26,120	0	0	0	980	0	993,284
31 March 2015	0	224,020	0	0	0	0	0	224,020
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
Total cost or valuation	1,804,758	1,679,683	68,484	191,110	21,359	60,703	16,161	3,842,258

* 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.

30. 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.

	HRA	General Fund	Total	HRA	General Fund	Total
	2016/17	2016/17	2016/17	2017/18	2017/18	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement	234,682	498,815	733,497	229,807	621,114	850,921
<i>Capital investment</i>						
Property, Plant and Equipment	41,833	179,885	221,718	42,182	176,850	219,032
Heritage Assets	0	18	18	0	0	0
Music Hall Loan	0	0	0	0	770	770
Loan for National Housing Trust Initiative	0	(3,804)	(3,804)	0	0	0
<i>Sources of finance</i>						
Capital receipts	(11,079)	(480)	(11,559)	(4,555)	(129)	(4,684)
Government grants and other contributions	(6,736)	(36,663)	(43,398)	(11,079)	(47,956)	(59,035)
Other contributions	0	0	0	0	0	0
Sums set aside from revenue:						
• Direct revenue contributions	20	0	20	461	0	461
• Capital for Current Revenue (CFR)	(22,913)	(3,580)	(26,492)	(22,496)	(1,309)	(23,805)
• Loans fund principal	(6,001)	(10,599)	(16,600)	(7,034)	(13,527)	(20,561)
• PPP liability repayments	0	(2,478)	(2,478)	0	(2,611)	(2,611)
Closing Capital Financing Requirement	229,807	621,114	850,921	227,286	733,202	960,488
<i>Explanation of movements in year</i>						
Increase/(Decrease) in underlying need to borrow	(4,574)	123,953	119,379	(1,639)	124,705	123,066
Assets acquired under PFI/PPP contracts	0	(2,478)	(2,478)	0	(2,611)	(2,611)
Increase/(decrease) in Capital Financing Requirement	(4,574)	121,475	116,901	(1,639)	122,094	120,455

31. 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 29.

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 2018 (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 2018/19	4,784	3,222	6,973	14,979
Payable within two to five years	25,223	11,357	26,034	62,614
Payable within six to ten years	38,746	16,793	29,892	85,431
Payable within eleven to fifteen years	42,427	24,383	26,008	92,818
Payable within sixteen to twenty years	44,977	35,447	20,114	100,538
Payable within twenty one to twenty five years	9,351	9,771	3,779	22,901
Payable within twenty six to thirty years	0	0	0	0
Total	165,508	100,973	112,800	379,281

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:

	2016/17	2017/18
	£'000	£'000
Balance outstanding at start of year	106,062	103,584
Payments during year	(2,478)	(2,611)
Balance outstanding at end of year	103,584	100,973

32. **Assets Held for Sale**

	2016/17	2017/18
	£'000	£'000
Balance outstanding at start of year	3,979	5,382
Assets newly classified as held for sale:		
Property, Plant and Equipment	2,805	541
Revaluation gains and (losses)	(480)	1,500
Assets sold	(922)	(1,225)
Balance outstanding at end of year	5,382	6,198

33. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work In Progress		Property Acquired or Constructed for Sale		Total	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Balance outstanding at start of year	1,627	1,601	16	16	31	28	1,674	1,645
Purchases	13,777	10,624	24,824	24,700	50	0	38,651	35,324
Recognised as an expense in the year	(13,803)	(11,088)	(24,824)	(24,704)	(53)	(3)	(38,680)	(35,795)
Written off balances	0	0	0	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0	0	0	0
Balance outstanding at end of year	1,601	1,137	16	12	28	25	1,645	1,174

34. Short Term Debtors

	31 March 2017 £'000	31 March 2018 £'000
Central government bodies	14,043	11,540
Other local authorities	2,639	2,846
NHS bodies	5,338	1,518
Public corporations and trading funds	317	2,362
Other entities and individuals	111,313	111,091
Gross Total	133,650	129,357
Deduct: Provision for Impairment	(54,973)	(54,657)
Net Total	78,677	74,700

35. Short Term Creditors

	31 March 2017 £'000	31 March 2018 £'000
Central government bodies	(8,747)	(15,258)
Other local authorities	(675)	(1,211)
NHS bodies	(4,900)	(4,985)
Public corporations and trading funds	(5,051)	(724)
Other entities and individuals	(70,991)	(52,322)
Total	(90,364)	(74,500)

36. Provisions

2017/18	Note 1 Compensation Payments - Equal Pay £'000	Note 2 Property - Asset Management £'000	Note 3 Housing Benefit Subsidy £'000	Note 4 Other £'000	Total £'000
Balance at 1 April 2017	(200)	(679)	(100)	(3,933)	(4,912)
Additional provisions made in 2017/18	(13,959)	0	(100)	0	(14,059)
Amounts used in 2017/18	7,326	0	0	1,292	8,618
Unused amounts reversed in 2017/18	0	0	100	0	100
Balance at 31 March 2018	(6,833)	(679)	(100)	(2,641)	(10,253)
<i>Represented by:</i>					
Current provisions	(6,833)	0	(100)	(2,641)	(9,574)
Long term provisions	0	(679)	0	0	(679)

Notes on Provisions –

1. Compensation Payments - Equal Pay and Severance - £ 6.833 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.

There was also a provision created under the terms of the Scottish Government statutory guidance (per Local Government in Scotland Act 2003) for the new Voluntary Severance /Early Retirement scheme. Payments are to be made in 2018/19 in respect of the statutory element of severance costs.

2. Property-Asset Management - £0.679 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 2017 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 Benefit Subsidy - £0.100 million

This Provision is for potential claw back by the Department of Works and Pensions (DWP) for overpayments on the Housing 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 2018/19.

4. Other

- **Legal Cases - £1.217 million**

This provision relates to outstanding claims against the Council. These are in relation to environmental services and other potential compensation payments.

- **Holiday Pay - £0.826 million**

This is a provision for arrears of Holiday Pay due based on the decision in the case of Lock v British Gas Trading Ltd which reviewed the basis of calculation for holiday pay. The full liability could be paid out in 2018/19.

- **Council Tax Discount on Second Homes and Long Term Empty Properties - £0.469 million**

This provision relates to amounts committed towards affordable housing projects, which are expected to be released in 2018/19.

- **HRA - £0.025 million**

This provision relates to a potential ICO penalty notice and voluntary disclosure required for VAT.

- **HMRC liability - £0.104 million**

This provision relates to a potential liability from HMRC regarding VAT payments due to be agreed and settled.

37. Contingent Assets and Liabilities

Contingent Assets

A contingent asset arises where an event takes place which 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. At 31 March 2018, the Council had material contingent assets as undernoted:

- **Marischal Square Development**

In November 2017, the Marischal Square development was completed. The Council recognises a potential asset in relation to key money and development profit, which are payable to the Council upon the occurrence of uncertain future events, not wholly within our control.

Contingent Liabilities

At 31 March 2018 the Council had material contingent liabilities as undernoted:

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

The Council has agreed to provide a guarantee to the Bank of Scotland for the sum of £127,653 in support of an overdraft facility and card transactions until 31 March 2019.

- **Transition Extreme Sports Ltd**

The Council has agreed to provide a guarantee to the Bank of Scotland in respect of a maximum overdraft facility of £250,000 until 2019.

- **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.

The Council is currently part of a three-authority project in partnership with Aberdeenshire and Moray Councils to procure an energy from waste facility which will deal with all residual waste from the three authorities. The contract is expected to commence in 2019 with the facility coming on line late 2021, and will run for 20 years.

- **Landfill Allowance Scheme (LAS)**

The Scottish Government had previously introduced a scheme under which Local Authorities were to be penalised for exceeding landfill tonnage targets. The Landfill Allowance Scheme in Scotland is currently suspended and it is expected that the Waste (Scotland) Regulations 2012 will take over the requirement for the control of landfilling biodegradable municipal waste. However, until such a repeal is formalised there remains a potential liability on the Council.

- **External Organisations - Guarantor in relation to North East Scotland Pension Fund (NesPF)**

As the administering authority, the Council may admit a body to the Pension Fund as an 'admitted body' provided (i) the organisation can confirm they have sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest; and (ii) the Scheme employer is prepared to act as guarantor in the event the admitted body should cease to exist. If this situation was to occur and staff made redundant the staff over 50 years old would become entitled to immediate payment of their pension benefits. The Council has agreed a number of such guarantees to organisations that include Aberdeen Sports Village, Sport Aberdeen, Aberdeen Performing Arts, Aberdeen International Youth Festival, Aberdeen Heat and Power, Bon Accord Support Services and Bon Accord Care Ltd. The potential values guaranteed are subject to a range of actuarial assumptions.

- **Sport Aberdeen**

The Council agreed to provide a bank guarantee to Sport Aberdeen to a maximum of £5 million over a 5 year period for investment in Council leisure facilities, as approved at the 7 June 2016 Finance, Policy and Resources Committee. There is currently a guarantee being drawn up for an RCF facility for £1.4 million for Sport Aberdeen.

- **SEEMIS Group LLP**

The Council has agreed to fund any additional pension liability payments arising from its membership of the SEEMIS organisation (the provider of our schools' Management Information System). To date there has been no call on the guarantee.

- **Scottish Child Abuse Enquiry**

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

- **Section 75 agreements**

Section 75 agreements (developer obligations) are frequently sought by the Council in relation to the award of planning permission. The Supreme Court's recent judgement in relation to the Strategic Transport Fund (STF), which was funded through developer obligations, has significant implications for the Council, as there are several large scale projects in development which had expected to rely on STF funding. Delivery of these projects is now at risk unless an alternative funding solution can be identified.

- **Music School Tutors**

The Council and HMRC have on-going discussions regarding the employment status of the music school tutors. This may mean the Council has to pay back-dated tax and national insurance for them, and may also have to pay a penalty.

- **Multi Storey Blocks**

In response to the Grenfell Tower incident potential changes to fire safety within multi storey blocks may be required. The extent of such changes is unknown at this time.

38. Grant Income

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

	2016/17 £'000	2017/18 £'000
Credited to Taxation and Non Specific Grant Income		
Total Revenue Funding Grant	333,781	284,428
Total	333,781	284,428
Credited to Services		
Department of Work and Pensions		
Housing Benefit Grant	56,561	55,491
Housing Benefit Admin Grant	762	702
Discretionary Housing Payment	341	159
Other	105 *	25
Grampian Health Board		
Resource Transfer	19,124	773
Integrated Care Funding	5,809	31,949
Other	0	162
Other Local Authorities		
Western Peripheral Route Works	7,042	2,964
Other	88	72
Scottish Government		
S27 Community Justice Grant	4,430	4,563
Home Insulation	1,073	674
Education Maintenance	321	313
Attainment Challenge	215	482
Other	1,461 *	1,067
Department for Culture, Media and Sport		
Accelerate Aberdeen	50	0
European Funding		
Hydrogen Bus Project	640	528
Civitas	12 *	267
Other	87 *	152
Home Office		
Syrian Refugee Resettlement Programme	219 *	313
Other	44 *	37
Creative Scotland		
Youth Music Initiative	170 *	383
Other	168 *	68
Sport Scotland	458	419
Scottish Legal Aid Board	135	123
Heritage Lottery Fund	187	247
Transport Scotland	264	15
Other	267	576
Total	100,033	102,524

* 2016/17 figures have been updated to show the Civitas Grant and Youth Music Initiative grant separately. These were previously part of 'other'. The Youth Employment Grant has been moved from Department of Works and Pensions to Scottish Government.

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:

	2015/16	2017/18
	£'000	£'000
Revenue Grants - Receipts in Advance		
Social Care & Wellbeing (Telecare, Kinship Care, Luggage)	11	6
Communities	0	3
Bequest / Europe Direct for Libraries	50	0
Creative Scotland – Various Projects	232	24
Education Scotland	15	1
Scottish Government	78	0
Home Office Refugee Funding	79	514
Community Safety Hub Funding	9	0
Local Air Quality	0	2
Amped Funding	0	7
Place Partnership	0	11
Creative Learning Network	0	11
Total	474	579
Capital Grants - Receipts in Advance		
Gypsy Traveller Grant	103	103
Public Wireless Programme Grant	7	0
Scottish Government Flood Grant	407	403
Scottish Government JIVE Funding	0	3,388
Early Learning & Childcare Capital Payment	0	1,035
Fibre Network	0	936
Regeneration Capital Grant Fund	0	1,977
Aberdeen Inspired Funding for Cars for Union Street	0	13
Total	517	7,855

39. 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 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
Investments				
Loans and receivables	0	0	141,227	136,224
Available for sale financial assets	18,656	18,076	0	0
Total investments	18,656	18,076	141,227	136,224
Debtors				
Loans and receivables	7,311	8,222	0	0
Financial assets carried at contract amount	0	0	78,677	74,700
Total debtors	7,311	8,222	78,677	74,700
Borrowings				
Financial liabilities at amortised cost	(900,871)	(890,982)	(81,352)	(79,435)
Total borrowings	(900,871)	(890,982)	(81,352)	(79,435)
Other Long term Liabilities				
PPP liabilities	(100,973)	(97,752)	(2,611)	(3,222)
Total other long term liabilities	(100,973)	(97,752)	(2,611)	(3,222)
Creditors				
Financial liabilities carried at contract amount	(108)	(108)	(90,364)	(74,501)
Total creditors	(108)	(108)	(90,364)	(74,501)

Notes:

The Council undertook a £370 million Bond Issuance in 2016, receiving a premium of £44 million. This is reflected in the table above within "Borrowings, Financial Liabilities at Amortised Cost"

Lenders Option/Borrowers Option (LOBO's) of £53.9m 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)	2016/17			2017/18		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Measured at amortised cost £'000	Loans and receivables £'000	£'000	Measured at amortised cost £'000	Loans and receivables £'000	£'000
Interest expense	(35,072)	0	(35,072)	(47,243)	0	(47,243)
Total expense in Surplus or (Deficit) on the Provision of Services	(35,072)	0	(35,072)	(47,243)	0	(47,243)
Interest income	0	771	771	0	500	500
Total income in Surplus or (Deficit) on the Provision of Services	0	771	771	0	500	500
Net gain/(loss) for the year	(35,072)	771	(34,301)	(47,243)	500	(46,743)

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 2018 of 2.55% to 11.00% for loans from the PWLB and 3.98% to 5.00% for other loans receivable and payable, based both on both a new loan rate basis and a fair value basis 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 2017					31 March 2018				
	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value (Premature Repayment) £'000	Fair Value (New Loan Rates) £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value (Premature Repayment) £'000	Fair Value (New Loan Rates) £'000
PWLB – maturity	(398,880)	(6,771)	(405,651)	(724,959)	(598,474)	(388,880)	(6,624)	(395,504)	(708,183)	(584,312)
PWLB – annuity	0	0	0	0	0	0	0	0	0	0
PWLB – EIP	0	0	0	0	0	0	0	0	0	0
LOBOs	(93,893)	(698)	(94,592)	(183,473)	(148,361)	(93,893)	(698)	(94,592)	(183,043)	(145,121)
Bond Issue	(372,174)	0	(372,174)	(284,243)	(244,619)	(370,000)	0	(370,000)	(435,615)	(435,615)
Bond EIR	0	0	0	0	0	(16,609)		(16,609)	(16,609)	(16,609)
Bond Premium	(43,835)	0	(43,835)	(42,113)	(42,113)	(42,356)	0	(42,356)	(42,356)	(42,356)
Transfer Interest to Short Term in line with Code requirements	0	7,469	7,469	0	0	0	7,322	7,322	0	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements	0	0	10,000	0	0	0	0	23,447	0	0
Financial Instrument Adjustments	0	0	(2,088)	0	0	0	0	(2,690)	0	0
Total Long Term Borrowing	(908,782)	0	(900,871)	(1,234,788)	(1,033,567)	(911,738)	0	(890,982)	(1,385,806)	(1,224,013)
Short term borrowing	(63,836)	(46)	(63,883)	(63,883)	(63,883)	(48,638)	(28)	(48,666)	(48,681)	(48,681)
Transfer Interest from Long Term in line with Code requirements	0	(7,469)	(7,469)	0	0	0	(7,322)	(7,322)	0	0
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements	0	0	(10,000)	0	0	0	0	(23,447)	0	0
Total Short Term Borrowing	(63,836)	(7,515)	(81,352)	(63,883)	(63,883)	(48,638)	(7,350)	(79,435)	(48,681)	(48,681)

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 2018) arising from a commitment to pay interest to lenders above current market rates. From 2015/16, the Fair Value of borrowings is shown at both Premature Repayment rates and New Loan rates. In prior years, the Fair Value of borrowings had been shown only on a New Loans rates basis.

Fair Value of Assets	31 March 2017				31 March 2018			
	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	309,374	207	309,581	309,638	136,224	177	136,401	136,401

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

40. 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 £50 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 £136.2m 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 2018 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:

Credit Risk A					
Estimated maximum exposure at 31 March 2017 £'000		Amount at 31 March 2018 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2018 %	Estimated maximum exposure to default and uncollectability at 31 March 2018 £'000
		A	B	C	(A x C)
0	Deposits with banks and building societies	136,401	0	0	0
1,217	Customers	26,623	8.95%	8.95%	2,383
1,217					2,383

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 £26.6m is past its due date for payment. The past due amount can be analysed by age as follows:

Credit Risk B	31 March 2017 £'000	31 March 2018 £'000
Less than three months	11,390	7,454
Three to six months	1,398	3,360
Six months to one year	1,685	3,312
More than one year	14,515	12,497
	28,988	26,623

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 2017	31 March 2018
	£'000	£'000
Less than one year	84,313	82,109
Between one and two years	23,447	16,860
Between two and five years	25,000	47,550
Between five and ten years	1,000	52,803
More than ten years	805,501	712,113
	939,261	911,435

In the "More than 10 years" category in the table above there are £53.9 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.

£370 million of the Council's borrowings are in the form of a bond which is index-linked to RPI. The amount of principal and interest to be paid is therefore dependent on changes in RPI. For example, a 1% increase in the rate of RPI compared to the prevailing rate would result in an annual increase of £0.4 million in amounts repayable.

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 2018, if interest 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	539
Increase in interest receivable on variable rate investments	(856)
Impact on Surplus or Deficit on the Provision of Services	(317)
Share of overall impact debited to the HRA	(76)
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
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)	187,817
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	225

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

Foreign exchange risk

The Council operates a Bank Account denominated in Euros but 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 2017/18, the average interest rates were 4.94% for capital (2016/17, 3.46%), 0.29% for revenue advances (2016/17, 0.27%) and 0.02% for expenses (2016/17, 0.02%) 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.

Amounts Borrowed from the Loans Fund

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
General Fund	408,526	402,839	397,654	396,557	397,314	413,355	538,587	667,392
Trading Operations	23,257	22,678	24,282	23,083	21,283	20,486	19,207	15,107
Housing Revenue Account	185,923	193,225	196,880	196,665	196,675	193,692	189,118	187,479
Total	617,706	618,742	618,816	616,305	615,272	627,533	746,912	869,978

Loans Fund Revenue Account			Loans Fund Balance Sheet as at 31 March		
2016/17 £'000		2017/18 £'000	2017 £'000		2018 £'000
	Expenditure			Assets	
24,257	Interest paid to External Bodies	41,181		Advances to:	
516	Interest paid to Other Council Accounts	475	746,913	Aberdeen City Council for Capital Expenditure	869,978
134	General Expenses	167	2	Other Bodies	2
24,907		41,823	13,613	Rescheduled Premiums	13,216
	Income		760,528		883,196
	Interest & Expenses charged to Aberdeen City Council			Current Assets	
(16,649)	General Fund	(30,379)	309,350	Temporary Investments	136,200
(6,911)	Housing Revenue Account	(9,537)	230	Sundry Debtors	205
(693)	Trading Operations	(957)	(624)	Bank	1,184
(654)	From Temporary Investments	(950)	1,069,484		1,020,785
(24,907)		(41,823)		Less: Current Liabilities	
			111,930	Temporary Advances from Council Services	76,548
			7,515	Sundry Creditors	7,335
			119,445		83,883
			950,039	Net Assets	936,902
				Financed by:	
			(398,880)	Public Works Loan Board	(388,880)
			(93,893)	Market Loans	(93,893)
			(369,529)	Negotiable Bonds	(370,000)
			(42,114)	Bond Premium	(42,356)
			0	Bond EIR	(16,609)
			(2)	Stock Issue & Gas Annuities	(2)
			(45,621)	Temporary Loans	(25,162)
			(950,039)		(936,902)

Steven Whyte, FCPFA
Director of Resources

8 May 2018

Housing Revenue Account

This represents the statutory requirement to account for local authority housing provision as defined in the Housing (Scotland) Act 1987.

Housing Revenue Account Income and Expenditure Statement

2016/17 £'000		2017/18	
		£'000	£'000
	Income		
(81,866)	Dwelling Rents	(80,819)	
(3,605)	Non dwelling Rents	(3,427)	
0	Hostel Grant	0	
(2,094)	Other Income	(2,107)	
(87,565)			(86,353)
	Expenditure		
632	Staff Costs	981	
632			981
	Premises Costs:		
26,955	Repairs and Maintenance	25,316	
3,079	Maintenance of amenity areas	3,056	
2,811	Bad debts written off/provisions	1,653	
1,226	Loss of rent vacant periods	1,416	
2,389	Other costs	1,986	
36,460			33,427
	Administration Costs:		
8,162	Management and Administration	7,658	
1,004	Other costs	461	
9,166			8,119
	Supplies and Services:		
3,678	Communal Lighting and Heating, etc.	3,608	
160	Information Technology	162	
165	Other Costs	149	
4,003			3,919

2016/17 £'000		2017/18	
		£'000	£'000
	Agencies:		
215	Contributions	215	
102	Supporting People Contribution	0	
662	Tenant's Participation/Helplines	583	
979			798
	Capital Charges:		
27,922	Depreciation	29,106	
32,373	Impairment of Non Current Assets	30,903	
60,295			60,009
111,535	Gross Expenditure		107,253
	Net Cost of HRA Services per Council's Comprehensive Income and Expenditure Statement		
23,970			20,900
157	Corporate and Democratic Core	137	
			137
24,127	Net Cost of HRA Services		21,037
(3,584)	(Gain) / Loss on Sale of HRA Non Current Assets	(1,040)	
6,912	Interest payable and similar charges	9,538	
(80)	Interest and investment income	(79)	
286	Pensions interest and return on assets	195	
(6,736)	Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax)	(11,079)	
20,925	(Surplus)/deficit for the year on HRA Services		18,572

Movement on the Housing Revenue Account Statement

	Notes	2017/18 £'000
Balance on the HRA at start of Year		(11,308)
(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		18,572
Adjustments between Accounting Basis and Funding Basis Under Statute	1	(19,072)
Net (Increase) or Decrease Before Transfers to or (from) Reserves		(500)
Transfers to or (from) Reserves	2	0
(Increase) or Decrease in Year on the HRA		(500)
Balance on the HRA at end of Year		(11,808)

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

2016/17 £'000		2017/18 £'000
3,584	Gain or (loss) on sale of HRA non-current assets	1,040
22,913	Capital expenditure funded by the HRA	22,496
	Transfer to/from the Capital Adjustment Account:	
(60,295)	Depreciation and Impairment	(60,094)
6,736	Capital Grants and Contributions	11,079
6,001	Repayment of Debt	7,034
(376)	HRA share of contributions to or from the Pensions Reserve	(608)
12	Adjustment involving the Accumulated Absences Account	(21)
0	Other Adjustments	2
(21,425)		(19,072)

2. Transfers (to) or from Reserves

2016/17 £'000		2017/18 £'000
0	Transfer to/(from) the General Fund	0
0	Total	0

3. Housing Stock

The Council's housing stock at 31 March 2018 was 22,365 (22,272 at 31 March 2017) in the following categories:

2016/17 Number		2017/18 Number
	Type of Property	
2,049	Sheltered Property	1,994
4,280	Cottage	4,203
8,666	Flat	8,416
2,139	Four in Block	2,087
548	Maisonette	548
2,167	Multi Storey Flat	2,134
122	Split Level Flat	122
431	Multi Storey Maisonette	428
1,264	Amenity	1,330
379	Homeless	374
22,045	Sub Total	21,636
227	Properties off the charge	729
22,272	HRA Total	22,365
	Other Assets	
1	Hostel	1
241	Garages Sites	241
2,042	Lock Up Garages	2,037
911	Parking Spaces	911
17	Travelling Peoples Sites	17
3,212		3,207

4. Rent Arrears

2016/17		2017/18
£'000		£'000
3,257	Current Tenant Arrears	4,070
1,280	Former Tenant Arrears	1,788
4,537	Total Rent Arrears	5,858

5. Impairment of Debtors

In 2017/18 an impairment of £4,937,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £1,080,000 from the provision in 2016/17.

National Non Domestic Rates

National Non Domestic Rates (NNDR) 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 2017/18, which is set annually by the Scottish Ministers, is 46.6 pence. There is also a small supplement on the poundage rate of 2.6 pence for subjects with a rateable value greater than £51,000 to cover the additional costs of the Small Business Bonus Scheme. In 2016/17, the NDR poundage rate was set at 48.4 pence and the supplement was 2.6 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.

2016/17		2017/18	
£'000		£'000	£'000
(243,859)	Gross Rates Levied and Contributions in Lieu		(289,671)
	<i>Deduct:</i>		
28,961	Reliefs, remissions, etc.	42,918	
	Payment of Interest		
3,058	Write off of uncollectable debts and allowances for impairment	3,264	46,182
(211,840)	Net Non Domestic Rate Income		(243,489)
2,315	Adjustment to previous years' National Non Domestic Rates		1,357
(209,525)	Contribution to Non Domestic Rate Pool		(242,133)
(215,586)	Distribution from Non Domestic Rate Pool		(205,547)
	<i>Add:</i>		
663	Adjustment for Statutory Additions and others		(399)
0	* BRIS Income Retained	0	
663			0
	<i>Less:</i>		
342	Charity Relief adjustment		399
(214,581)	Income credited to the Comprehensive Income and Expenditure Statement *		(205,547)

* The figure for 2017/18 assumes that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) target in 2017/18.

Category	Number of Subjects	Rateable Value at 1 April 2018 £'000
Advertising	132	499
Care Facilities	116	5,899
Communications (non Formula)	35	3,314
Cultural	12	913
Education and Training	162	35,195
Garages and Petrol Stations	209	5,252
Health Medical	126	16,125
Hotels etc	346	24,524
Industrial Subjects including Factories Warehouses & Stores	1,982	146,431
Leisure, Entertainment, Caravans & Holiday Sites	303	14,912
Offices including Banks	2,717	195,090
Other	856	10,978
Petrochemical	2	792
Public Houses	159	8,179
Public Service Subjects	195	20,116
Quarries, Mines etc.	9	128
Religious	134	2,699
Shops	2,196	105,041
Sporting Subjects	83	482
Undertaking	13	2,034
Total Non Domestic Rates Subjects	9,787	598,603

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 2017/18, 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

62	Disabled Relief	83
12,514	Discounts	13,150
3,142	Provision for non collection	3,246
9,340	Council Tax Reduction	9,592
260	Other	87
(102,787)		(109,495)
	<i>Add:</i>	
(1,159)	Statutory Additions	(1,188)
(238)	Prior Year Adjustments	219
(7)	Write Ons	(7)
(104,191)	Net Council Tax income for the Year	(110,471)
0	Arrears of Community Charge (Poll Tax) recovered during the year	0
(104,191)	Net Council Tax income transferred to General Fund	(110,471)

The calculation of the Council Tax Base 2017/18:

	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)			7			7	200/360	4
Band A	23,134	(3,855)	23	(3,129)	(380)	15,793	240/360	10,529
Band B	28,229	(2,657)	9	(3,300)	(373)	21,908	280/360	17,040
Band C	19,022	(1,593)	(11)	(1,703)	(244)	15,471	320/360	13,752
Band D	15,607	(2,242)	10	(1,333)	(245)	11,797	360/360	11,798
Band E	14,512	(696)	(1)	(1,088)	(162)	12,565	473/360	16,509
Band F	8,541	(233)	(3)	(507)	(71)	7,727	585/360	12,556
Band G	7,593	(136)	(32)	(312)	(56)	7,057	705/360	13,820
Band H	998	(23)	(2)	(26)	(14)	933	882/360	2,286
							Total	98,294
							Council Tax Reduction	(9,555)
							Contributions in Lieu	12
							Provision for Bad Debts (2.4%)	(2,359)
							Council Tax Base	86,392

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 2017/18 was £1,230.39 (2016/17, £1,230.39)

Property Value (£)	Band	Proportion of Band D	Council Tax Level (£)
27,000 or under	A	240/360	820.26
27,001 – 35,000	B	280/360	956.97
35,001 – 45,000	C	320/360	1,093.68
45,001 – 58,000	D	360/360	1,230.39
58,001 – 80,000	E	473/360	1,616.60
80,001 – 106,000	F	585/360	1,999.38
106,001 – 212,000	G	705/360	2,409.51
Over 212,000	H	882/360	3,014.46

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
Balance at 1 April 2016	(112,424)	(68)	(112,492)
<u>Movement in Reserves during 2016/17</u>			
(Surplus) or Deficit on provision of services	1,317	0	1,317
Total Comprehensive Expenditure and Income	1,317	0	1,317
Balance at 31 March 2017 carried forward	(111,107)	(68)	(111,175)
<u>Movement in Reserves during 2017/18</u>			
(Surplus) or Deficit on provision of services	(3,209)	0	(3,209)
Total Comprehensive Expenditure and Income	(3,209)	0	(3,209)
Balance at 31 March 2018	(114,316)	(68)	(114,384)

Comprehensive Income and Expenditure Statement

2016/17		2017/18		
		Gross Expenditure £'000	Gross Income £'000	Net (Income) Expenditure £'000
10	Official Catering	0	0	0
68	Administration Costs	80	0	80
1,397	Donations, Grants, Contributions etc.	1,245	0	1,245
185	Civic Hospitality	142	0	142
102	Funding of International Budget	27	0	27
113	Christmas Illuminations & Festivities	104	0	104
197	Civic Administration Unit	168	0	168
78	Other Projects	82	0	82
386	Miscellaneous Expenditure	216	0	216
9	Greenfern Master plan	0	0	0
0	Specific Projects	433	0	433
127	Duthie Park HLF	121	0	121
2,672	Cost Of Services	2,618	0	2,618
	Other Operating Expenditure:			
(4,382)	Gains/losses on the disposal of non current assets			(5,342)
	Financing and Investment Income and Expenditure:			
(2,960)	Investment property income & expenditure			(3,277)
(192)	Interest receivable and other investment income			(219)
(4,862)	(Surplus) or Deficit on Provision of Services			(6,220)
6,179	(Surplus) or Deficit on revaluation of investment property			3,012
1,317	Total Comprehensive Income and Expenditure			(3,208)

Balance Sheet

31 March 2017 £'000		31 March 2018 £'000
89,046	Investment Property	86,034
89,046	Long Term Assets	86,034
21,918	Investments in Aberdeen City Council Loans Fund	27,798
61	Investment Property Held for Sale	61
472	Short Term Debtors	843
22,451	Current Assets	28,702
(322)	Short Term Creditors	(352)
(322)	Current Liabilities	(352)
111,175	Net Assets	114,384
(111,107)	Common Good Fund	(114,316)
(68)	Reserve Fund	(68)
(111,175)	Total Reserves	(114,384)

Steven Whyte, FCPFA
Director of Resources

8 May 2018

The property portfolio was valued internally by Debbie Wyllie, 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).

Trust Funds and Endowments

The Council is responsible for the administration of various Trusts. They have been created by bequest or by public subscription and are utilised for a variety of purposes in line with the trusts purposes identified in their governing documents. The money earned from the investments of the trusts is used for the maintenance of graves and monuments, the administration of the Guildry and its awards, school prizes and the advancement of art and the purchase of works of art. As well as administering the trusts, the Council is also the appointed trustee for all the trusts with the exception of Marguerite McBey Trust which has two Councillors on the Board of Trustees.

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 2018 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. A separate audited Annual Report and Accounts for the Council's registered Charitable Trusts is submitted to OSCR within statutory deadlines.

In addition to these Trusts there are a number of independent Trusts which are separately supported and administered by the council e.g. the Aberdeen International Youth Festival Trust and the Lord Provost's Charitable Trust. Accounting information for these organisations is not included in this document.

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. The Common Good Fund has investments in the Lands of Skene Trust (30%) and the Lands of Torry Trust (51%).

Trusts reorganisation work is ongoing.. The Bridge of Dee was wound up by the transfer of its remaining assets to the Bridge of Don Fund, which will be used for the same charitable purpose, the advancement of heritage in Aberdeen. Work is also underway on the creation of a new constitution for the Guildry.

Movement in Funds

Charity	Balance as at 31 March 2017 £'000	Transfer between funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2018 £'000
EEIF	(183)	0	13	(3)	10	(163)
Guildry	(2,702)	0	0	(12)	27	(2,687)
Bridge of Don	(1,251)	(34)	0	(5)	38	(1,252)
Bridge of Dee	(34)	34	0	0	0	0
Alexander MacDonald Bequest	(32)	0	0	(0)	1	(31)
Aberdeen Art Gallery Trust	(26)	0	0	(0)	0	(26)
Lands of Skene	(1,157)	0	0	(47)	47	(1,157)
Lands of Torry	(853)	0	(589)	(137)	137	(1,442)
McBey Trust	(498)	0	0	(4)	6	(496)
Total - Charitable Trusts	(6,736)	0	(576)	(210)	266	(7,256)
Non Charity	Balance as at 31 March 2017 £'000		Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2018 £'000
Educational Trusts	(841)	0	(567)	(67)	67	(1,408)
Endowment Funds						
- Educational	(841)	0	58	(15)	6	(792)
- Social Work	(354)	0	24	(6)	0	(336)
Guildry	0	0	0	0	0	0
Arts & Heritage	(74)	0	0	(1)	1	(74)
Graveyards	(22)	0	0	0	2	(20)
Monuments	(7)	0	0	0	0	(7)
John Rickart	(55)	0	0	0	1	(54)
Lands of Elsick	0	0	0	0	0	0
McBey Trust	(71)	0	0	(1)	1	(71)
Glover House Ltd	(1)	0	0	(26)	27	(1)
Aberdeen Japan Trusts	(517)	0	0	0	8	(510)
Total - Non Charitable Trusts	(2,783)	0	(485)	(116)	112	(3,272)
Total	(9,519)		(1,061)	(326)	378	(10,528)

Investment of Funds

Charitable Trusts 2016/17 £'000	Non Charitable Trusts 2016/17 £'000	Total 2016/17 £'000		Charitable Trusts 2017/18 £'000	Non Charitable Trusts 2017/18 £'000	Total 2017/18 £'000
			Invested in:			
3,366	517	3,883	Land & Buildings	4,522	509	5,031
128	928	1,056	Equities – Listed	106	856	962
8	36	44	Gilt Edged Securities	7	35	42
0	233	233	Bank	0	238	238
2,836	1,136	3,972	Council Loans Fund	2,355	1,704	4,059
400	0	400	Other Investments	400	0	400
50	0	50	Debtors	50	0	50
(52)	(67)	(119)	Creditors	(185)	(70)	(255)
6,736	2,783	9,519		7,255	3,272	10,527
0	(1)	(1)	Share Capital	0	0	0
(4,590)	(2,104)	(6,694)	Unrestricted Funds	(4,530)	(2,669)	(7,199)
(135)	(675)	(810)	Endowment Funds	(125)	(602)	(727)
(2,011)	(1)	(2,012)	Designated Funds – Common Good Fund	(2,600)	0	(2,600)
0	(2)	(2)	Designated Funds – Grampian Health Board	0	0	0
(6,736)	(2,783)	(9,519)		(7,255)	(3,272)	(10,527)

Steven Whyte, FCPFA
Director of Resources

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The property portfolio was valued internally by Debbie Wyllie, 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).

Group Accounts

The Council has an interest in a number of companies and joint ventures and where material their financial results are consolidated into the Group Accounts.

Group Movement in Reserves Statement

	Total Usable Reserves (Page 53) £'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
Balance at 31 March 2016	(99,863)	(1,424,884)	(1,524,747)	(111,325)	(1,636,072)
Movement in Reserves during 2016/17					0
(Surplus) or deficit on provision of services *	54,784	0	54,784	(6,280)	48,504
Other Comprehensive Income and Expenditure *	97	(23,110)	(23,013)	9,983	(13,030)
Total Comprehensive Income and Expenditure	54,881	(23,110)	31,771	3,703	35,474
Adjustments between accounting basis & funding basis under regulations	(46,075)	46,075	0	(6)	(6)
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	8,806	22,965	31,771	3,697	35,468
Transfers to/from Earmarked Reserves & Statutory Reserves	3,667	(3,667)	0	0	0
Increase/Decrease in Year	12,473	19,298	31,771	3,697	35,468
Balance at 31 March 2017 carried forward	(87,392)	(1,405,587)	(1,492,976)	(107,630)	(1,600,606)
Movement in Reserves during 2017/18					
(Surplus) or deficit on provision of services	89,234	0	89,234	(2,216)	87,018
Other Comprehensive Income and Expenditure	0	36,085	36,085	(4,260)	31,825
Total Comprehensive Income and Expenditure	89,234	36,085	125,319	(6,476)	118,843
Adjustments between accounting basis & funding basis under regulations	(59,650)	59,650	0		0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	29,584	95,735	125,319	(6,476)	118,843
Transfers to/from Earmarked Reserves & Statutory Reserves	(4,249)	4,264	15	0	15
Increase/Decrease in Year	25,335	99,999	125,334	(6,476)	118,858
Balance at 31 March 2018	(62,056)	(1,305,586)	(1,367,642)	(114,107)	(1,481,749)

Group CIES

2016/17			2017/18			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Continued Operation			
244,961	(14,873)	230,088	Education and Childrens Services	260,561	(16,807)	243,754
178,683	(75,913)	102,770	Communities,Housing and Infrastructure	158,850	(61,594)	97,257
218,366	(128,697)	89,669	Integrated Joint Board/Social Work	221,760	(134,759)	87,001
58,044	(57,408)	636	Housing Benefits	57,389	(55,784)	1,605
40,961	(4,447)	36,514	Corporate and Miscellaneous	35,080	16,202	51,281
37,814	(11,396)	26,418	Corporate Governance	45,686	(11,707)	33,979
6,059	(2,443)	3,616	Office of the Chief Executive	5,151	(1,708)	3,442
120,813	(96,686)	24,127	HRA	107,468	(86,430)	21,037
905,701	(391,862)	513,839	Cost of Services	891,945	(352,588)	539,357
0	(7,214)	(7,214)	Other Operating Expenditure	0	(6,615)	(6,615)
76,082	(46,534)	29,548	Financing and Investment Income and Expenditure	92,317	(55,394)	36,922
5,544	(4,324)	1,220	Surplus or Deficit from Discontinued Operation	0	0	0
0	(480,392)	(480,392)	Taxation and Non Specific Grant Income	0	(484,178)	(484,178)
987,327	(930,326)	57,001	(Surplus) or Deficit on Provision of Services	984,262	(898,776)	85,486
		(4,683)	Share of (surplus) or deficit on the provision of services of Associates and JV			1,532
		52,318	Group (Surplus)/Deficit			87,018
		(8,123)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(2,792)
		405	(Surplus)/deficit on revaluation of available for sale financial assets			324
		(9,616)	Actuarial (gains)/losses on pension assets/liabilities			30,646
		540	Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			4,716
		(49)	Other (gains)/losses			0
		(16,842)	Other Comprehensive Income and Expenditure			31,569
		35,476	Comprehensive Income and Expenditure from Continued Operation			118,587

Group Balance Sheet

31 March 2017		31 March 2018
£000		£000
2,239,668	Property ,Plant and Equipment(note xi)	2,300,255
176,390	Investment Property(note xii)	177,163
0	Intangible Assets	0
33,469	Long Term Investments and/or Investments in Associates and Joint Ventures	38,020
172,756	Heritage Assets	197,370
7,311	Long Term Debtors	8,222
2,629,593	Long Term Assets From Continued Operation	2,721,030
0	LT Assests Associated with Discontinued Operation	
2,629,593	Long Term Assets	2,721,030
141,227	Shorth Term Investments	98,705
2,016	Inventories	1,594
74,093	Short Term Debtors	71,276
185,081	Cash and Cash Equivalents	62,270
5,804	Assets held for Sale	6,620
408,221	ST Assets From Continued Operation	240,465
1,459	ST Assets Associated with Discontinued Operation	
409,680	Current Assets	240,465
(61,697)	Short Term Borrowing	(67,777)
(91,296)	Short Term Creditors	(74,251)
(4,234)	Provisions	(9,574)
(2,611)	PPP Short Term Liabilities	(3,222)
(597)	Capital Grants Receipts in Advance	(579)
(473)	Revenue Grants Receipt in Advance	(7,928)
(5,515)	Other Short Term Liabilities	(5,607)
(166,423)	ST Liabilities From Continued Operation	(168,938)
(1,524)	ST Liabilities Associated with Discontinued Operation.	
(167,947)	Current Liabilities	(168,938)

Group Balance Sheet

31 March 2017		31 March 2018
£'000		£'000
(108)	Long Term Creditors	(108)
(679)	Provisions	(679)
2	Long Term Borrowing	(886,973)
(2,262)	Liabilities in Associates and Joint Ventures	(1,670)
(100,973)	PPP Long Term Liabilities	(97,751)
	Other Long Term Liabilities	
(265,893)	Pension Liabilities	(323,627)
(1,270,787)	LT liabilities From Continued Operation	0
0	LT Liabilities Associated with Discontinued Operation *	0
(1,270,787)	Long Term Liabilities	(1,310,808)
1,600,606	Net Assets	1,481,749
(87,391)	Usable Reserves	(62,056)
(1,405,585)	Unusable Reserves	(1,305,586)
33,361	Group - Usable Reserves	(492)
(140,991)	Group - Unusable Reserves	(113,616)
(1,600,606)	Reserves from Continued Operation	(1,481,749)
0	Reserves associated with Discontinued Operation *	0
(1,600,606)	Total Reserves	(1,481,749)

* From 1 April 2017, the operation of AECC transferred to SMG Europe Ltd. AECC Ltd will be wound up and is therefore reflected in these accounts as a discontinued operation.

Steven Whyte, FCPFA
Director of Resources

8 May 2018

Group Cash Flow

1 April 2013 £'000	31 March 2017 £'000		31 March 2018 £'000
(50,998)	(52,317) *	Net surplus or (deficit) on the provision of services	(80,803)
139,788	131,841	Adjust net surplus or deficit on the provision of services for non cash movements	149,731
(31,136)	(54,546)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(53,877)
57,654	24,979	Net cash flows from Operating Activities (Note vii)	15,051
(30,742)	(273,999)	Net cash flows from Investing Activities (note viii)	(123,417)
(18,766)	401,475	Net Cash flows from Financing Activities (note ix)	(14,446)
8,146	152,455	Net increase or decrease in cash and cash equivalents	(122,812)
30,472	34,130	Cash and cash equivalents at the beginning of the reporting period	186,584
38,618	186,584	Cash and cash equivalents at the end of the reporting period (note x)	63,772

Notes to the Group Accounts

Note i Group Accounting Policies & Nature of Consolidation

The group accounting policies are those specified for the single entity annual accounts. 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 2018, 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, and Aberdeen Sports Village Ltd are not required to prepare their annual accounts 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 2017 to 31 March 2018, 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 annual accounts produced at 31 March 2017, 31 July 2017 and 31 March 2018. 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%, 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**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 as a structured entity of the Council as defined by IFRS 12.

In the event that Sport Aberdeen incurs any reasonable and properly incurred losses or liabilities, damage claims, demand, costs, expenses, penalties, legal and other professional fees, the council will indemnify Sport Aberdeen on demand for these losses.

Aberdeen City Council as the Scheme employer of the North East Scotland Pension Fund in which Sport Aberdeen is an Admission Body guarantees to discharge on demand the guaranteed obligations by making immediate payment to the fund.

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 currently has Net Assets of £36.2 million in 2017/18 (2016/17, £37.3 million).

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.

The Aberdeen City Integration Joint Board (IJB) was established by order of Scottish Ministers on 6 February 2016, becoming fully operational from 1 April 2016. The IJB is responsible for the strategic planning, resourcing and operational delivery of all integrated health and social care within the Aberdeen City area. This has been delegated by the partners; Aberdeen City Council and NHS Grampian. During financial year 2017/18, the partners contributed £308 million in funding to the IJB (£311 million 2016/17).

Associates

Aberdeen City Council incorporates the following Associate in its group annual accounts;

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.

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 Sportscotland 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 £114 million (2016/17, increase of £111.3 million).

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 2016/17	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
Subsidiaries					
Aberdeen Exhibition and Conference Centre	100	100	(1,639)	(1,220)	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	111,175	(1,317)	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,507	(701)	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	(4,242)	(3,938)	Broadford House, Broadford Road, Bridge of Don, Aberdeen AB23 8EE
Bon Accord Care Limited	100	100	(9,521)	(556)	Inspire Building, Beach Boulevard, Aberdeen AB24 5HP
Bon Accord Support Services Limited	100	100	(597)	(116)	Inspire Building, Beach Boulevard, Aberdeen AB24 5HP
Joint Ventures					
Aberdeen Sports Village Limited	50	50	37,312	(820)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Integrated Joint Board	50	50	10,418	10,418	50 Frederick Street, Aberdeen AB24 5HY
Associates					
Grampian Valuation Joint Board	39	39	5,799	(2,733)	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin IV20 1BX

For the financial year 2017/18	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
Subsidiaries					
Aberdeen Exhibition and Conference Centre	100	100	361	0	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	114,384	6,220	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,927	(53)	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	(1,083)	45	Broadford House, Broadford Road, Bridge of Don, Aberdeen, AB23 8EE
Bon Accord Care Limited	100	100	(9,528)	(2,621)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Support Services Limited	100	100	(694)	(157)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Joint Ventures					
Aberdeen Sports Village Limited	50	50	36,151	(1,024)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Integrated Joint Board	50	50	8,820	(1,597)	50 Frederick Street, Aberdeen, AB24 5HY
Associates					
Grampian Valuation Joint Board	39	39	(4,283)	(569)	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 2017, AH&P Ltd made a profit of £330,755 (2015/16, £665,267 profit) and the net assets of the company were £2,369,344 (2015/16, £2,026,355). Turnover was £3,636,090 (2015/16, £3,577,829). The accounts for 2016/17 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 2016/17, Aberdeen City Council contributed £135,000 (2015/16, £47,000) 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 audited accounts for 2016/17 show a deficit of £38,400 (2015/16, £3,500 surplus) 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 2017 net assets amounted to £304,457 (2015/16, £310,155) with a loss for the year of £5,698 (2015/16, £660 loss). The accounts for 2017/18 are being prepared. It is anticipated that there will be no significant changes as at March 2018. 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 SDPA prevents it from retaining a surplus and reserves. In 2017/18, Aberdeen City Council contributed £19,4000 (2016/17, £84,134) towards the costs of the organisations. This consists of £84000 towards the costs of the organisation and £110,000 for legal costs associated with SDPA appeal towards strategic Transport Fund.

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 2017/18, Aberdeen City Council contributed £140,607 (2016/17, £140,607) towards the cost of these services. This represents Aberdeen City Council's share at 4%.

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

2016/17 £'000		2017/18 £'000
35,077	Interest payable and similar charges	47,526
8,224	Pensions interest cost and expected return on pensions assets	5,818
(974)	Interest receivable and similar income	(3,966)
(8,883)	Income and expenditure in relation to investment properties and changes in their fair value	(9,696)
(3,897)	Other investment income	(2,760)
29,547	Total	36,922

Note vii Cash Flow Statement – Group Operating Activities

2016/17 £'000		2017/18 £'000
(51,097)	* Net surplus or (deficit) on the provision of services	(80,803)
(51,097)	*	(80,803)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
68,391	Depreciation	70,765
57,429	Impairment, downward revaluations & non sale derecognitions	52,237
10	(Increase)/Decrease in Stock	421
(5,061)	(Increase)/Decrease in Debtors	2,617
0	Increase/(Decrease) in impairment provision for bad debts	0
599	Increase/(Decrease) in Creditors	(5,827)
11,256	Payments to Pension fund	24,296
10,332	Carrying amount of non current assets sold	16,795
0	Carrying amount of written off assets	0
(3,600)	Contributions to Other Reserves / Provisions	1,562
57	Movement in value of investment properties	(4,651)
0	Assets held for sale movement	0
31	Amortisation of intangible assets	0
(7,582)	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	(8,486)
131,863		149,731
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(43,398)	Receipt of Capital Grants and Contributions	(48,146)
(11,148)	Proceeds from the sale of PP&E, investment property and intangible assets	(5,731)
(54,546)		(53,877)
26,220	Net cash flows from operating activities	15,051

*2016/17 Net Deficit restated as a result of AECC being classified as a discontinued operation.

Note viii Cash Flow Statement – Group Investing Activities

(217,933)	Purchase of property, plant and equipment, investment property and intangible assets	(219,816)
(110,108)	Purchase of short term and long term investments	42,523
	Other payments for investing activities	
11,798	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,271
(650)	Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(540)
0	Proceeds from short term and long term investments	0
43,398	Capital grants and contributions received	48,146
0	Other receipts from investing activities	
(273,495)	Net cash flows from investing activities	(123,417)

Note ix Cash Flow Statement – Group Financing Activities

2016/17 £'000		2017/18 £'000
0	Cash receipts of short term and long term borrowing	0
0	Other receipts from financing activities	(29)
403,982	Repayments of short term and long term borrowing	(11,806)
(2,478)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet	(2,611)
(29)	Other payments for financing activities	0

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 2017 £'000		31 March 2018 £'000
38	Cash held by officers	47
185,043	Bank current accounts	62,223
185,081	Total cash and cash equivalents	62,270

Note xi Group Property, Plant and Equipment*Movements on Balances*

Comparative Movements in 2016/17:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment PP Assets Included in Property, Plant & Equipment	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2016	957,478	947,715	62,846	237,213	24,437	22,163	71,256	2,323,108	178,886
Additions	41,833	22,967	7,404	22,187	1,643	17	126,694	222,745	20
Revaluations	3,322	(10,933)	0	0	0	(3,715)	0	(11,326)	0
Derecognition / Disposals	(36,106)	(44,949)	(7,144)	0	0	(2,177)	0	(90,376)	0
Transfers	(1,789)	1,312	0	0	0	0	0	(477)	0
At 31 March 2017	964,738	916,112	63,106	259,400	26,080	16,288	197,950	2,443,674	178,906
Accumulated Depreciation and Impairment									
At 1 April 2016	(636)	(66,218)	(29,060)	(86,471)	0	1	0	(182,385)	(3,081)
Depreciation Charge	(27,922)	(26,229)	(6,468)	(7,969)	0	0	0	(68,588)	(3,081)
Depreciation & Impairment written out	432	39,961	0	0	0	0	0	40,393	0
Derecognition / Disposals	179	370	6,025	0	0	0	0	6,574	0
Transfers	0	0	0	0	0	0	0	0	0
At 31 March 2017	(27,947)	(52,116)	(29,503)	(94,440)	0	1	0	(204,006)	(6,162)
Net Book Value									
At 31 March 2017	936,791	863,996	33,603	164,960	26,080	16,289	197,950	2,239,668	172,744
At 31 March 2016	956,842	881,497	33,786	150,742	24,437	22,164	71,256	2,140,724	175,805

Movements in 2017/18:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment PP Assets Included in Property, Plant & Equipment	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2017	964,738	916,112	63,106	259,400	26,080	16,288	197,950	2,443,674	178,906
Additions	42,182	16,830	3,246	16,377	2,155	9	138,250	219,049	0
Revaluations	(30,638)	(66,112)	0	0	0	534	0	(96,216)	0
Derecognition / Disposals	(2,269)	(151)	(5,049)	0	0	(5,433)	(4,401)	(17,303)	0
Transfers	(541)	49,174	0	0	0	0	(49,771)	(1,138)	0
At 31 March 2018	973,472	915,853	61,303	275,777	28,235	11,398	282,028	2,548,066	178,906
Accumulated Depreciation and Impairment									
At 1 April 2017	(27,947)	(52,116)	(29,503)	(94,440)	0	1	0	(204,006)	(6,162)
Depreciation Charge	(29,034)	(24,549)	(8,500)	(8,685)	0	0	0	(70,768)	(3,082)
Depreciation & Impairment written out	8	21,736	0	0	0	0	0	21,744	0
Derecognition / Disposals	120	144	4,955	0	0	0	0	5,219	0
Transfers	0	0	0	0	0	0	0	0	0
At 31 March 2018	(56,853)	(54,785)	(33,048)	(103,125)	0	1	0	(247,811)	(9,244)
Net Book Value									
At 31 March 2018	916,619	861,068	28,255	172,652	28,235	11,399	282,028	2,300,255	169,662
At 31 March 2017	936,791	863,996	33,603	164,960	26,080	16,289	197,950	2,239,669	172,744

Note xii Investment Properties

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

	2016/17	2017/18
	£'000	£'000
Rental and interest income from investment property	(10,908)	(17,887)
Expenses arising from investment property	1,823	103
Revaluation (gains)/losses	202	3,495
Net (gain)/loss	(8,883)	(14,289)

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

	2016/17	2017/18
	£'000	£'000
Balance at start of the year	183,896	176,390
Additions:		
• Purchases		
• Construction		
• Subsequent expenditure		
Disposals	(124)	(1,783)
Net gains/losses from fair value adjustments	(6,950)	2,206
Transfers:		
• to/from Inventories	(430)	350
• to/from Property, Plant and Equipment		
Other changes		
Balance at end of the year	176,390	177,163

Note xiii Loans and Trading Balances with subsidiaries as at 31 March 2017 and 2018 are as follows:

	Loans		Debtors		Creditors	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
AECC	0	0	533	0	0	0
Bon Accord Care Ltd	0	0	65	71	(11)	(11)
Bon Accord Support Services Ltd	0	0	2,846	4,771	(4,975)	(375)
Sport Aberdeen	(1,720)	(1,590)	0	0	0	0
Common Good	(13,806)	(13,810)	0	0	0	0
Trust Funds	(4,075)	(4,009)	0	0	0	0
	(19,601)	(19,409)	3,444	4,842	(4,986)	(386)

Note xiv Operating Expenditure and Income of the Subsidiaries

The operating expenditure and income of the subsidiaries have been included within Corporate Governance, Education & Childrens Services, Communities, Housing & Infrastructure, Integrated Joint Board/Social Work and Corporate & Miscellaneous.

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

2016/17	Share of Operating (surplus)/deficit £'000	Share of Total Assets £'000	Share of Total Liabilities £'000	Share of Net Assets /Liabilities £'000
Associates				
Grampian Valuation Joint Board	115	536	(2,798)	(2,262)
Associates Total	115	536	(2,798)	(2,262)
Joint Venture				
Aberdeen Sports Village Limited	410	24,430	(5,774)	18,656
Integrated Joint Board	(5,209)	(5,209)	0	(5,209)
Joint Ventures Total	(4,799)	19,221	(5,774)	13,447
2017/18				
	Share of Operating (surplus)/deficit £'000	Total Assets £'000	Total Liabilities £'000	Net Assets /Liabilities £'000
Associates				
Grampian Valuation Joint Board	222	440	(2,110)	(1,670)
Associates Total	222	440	(2,110)	(1,670)
Joint Venture				
Aberdeen Sports Village Limited	512	23,718	(5,642)	18,076
Integrated Joint Board	799	4,410	0	4,410
Joint Ventures Total	1,311	28,128	(5,642)	22,486

Note xvi**Pension Costs**

Aberdeen City Council (ACC) participates in the Local Government Pension Scheme and Teachers' 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

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 surplus for the year is £3,115,000 (2016/17, £3,779,000 deficit).

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. In 2017/18 BASS made a pension loss of £187,000 while BAC realised a surplus of £2,614,000.

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 2016/17 was £74,000(2015/16, £78,136).

Associates

Grampian Valuation Joint Board participates in the Local Government Pension Scheme administered by Aberdeen City Council.

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

	2016/17 £'000	2017/18 £'000
Grampian Valuation Joint Board	50	63
Total	50	63

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'.

	2016/17 £'000	2017/18 £'000
ACC	(393,662)	(310,251)
<u>Share of Associates</u>		
Grampian Valuation Joint Board	(2,584)	(1,962)
Total	(396,246)	(312,213)

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 financed 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 2015/16.*

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

Aberdeen City Council Charitable Trusts

Unaudited Annual Report and Financial Statements

For the year ended
31 March 2018

Registered Numbers:

Guldry - SC011857
Bridge of Don Fund - SC018551
Alexander MacDonald's Bequest - SC018568
Aberdeen Art Gallery Trusts - SC018575
Lands of Skene – SC018533
Lands of Torry – SC021299
Education Endowment Investment Funds (EEIF) – SC025063

Aberdeen City Council Charitable Trusts Trustees Annual Report 2017/18

Aberdeen City Council acts as the sole trustee for the charities in this report.

Aberdeen City Council administers the Charitable Trusts and separately accounts for them. They do not form part of the Council's single entity balance sheet. However, they are included in the Annual Accounts of the Council and its group.

Reference and administration details

At the end of the year the Council acts as the sole trustee for 8 trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). 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 in Appendix 1 of this document.

Principal Address

Aberdeen City Council,
Marischal College,
Broad Street,
Aberdeen
AB10 1AB

External Auditor

KPMG LLP,
Saltire Court,
20 Castle Street,
Edinburgh
EH1 2EG

Secretary

Fraser Bell
Chief Officer - Governance,
Aberdeen City Council

Treasurer

Steven Whyte, FCPFA
Director of Resources,
Aberdeen City Council.

Trustees

As per guidance provided by OSCR, "Trustees" of the Charitable Trusts are those who have "general control and management" of the charity. Decisions regarding the general control and management of the Charitable Trusts are made by the full Council. For the purposes of this report it is our interpretation of the aforementioned that all elected members are Charity Trustees.

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

Lord Provost Barney Crockett (Chairperson)	Councillor Claire Imrie - appointed 4th May 2017
Councillor Yvonne Allan	Councillor Freddie John - appointed 4th May 2017
Councillor Christian Allard - appointed 4th May 2017	Councillor Jenny Laing
Councillor Alison Alphonse - appointed 4th May 2017	Councillor Douglas Lumsden - appointed 4th May 2017
Councillor Philip Bell - appointed 4th May 2017	Councillor Tom Mason - appointed 4th May 2017
Councillor Marie Boulton	Councillor M Taqeer Malik
Councillor David Cameron	Councillor Sandra MacDonald - appointed 4th May 2017
Councillor John Cook - appointed 4th May 2017	Councillor Neil MacGregor
Councillor Neil Copland	Councillor Avril MacKenzie - appointed 4th May 2017
Councillor Bill Cormie	Councillor Catriona MacKenzie - appointed 4th May 2017
Councillor Steve Delaney	Councillor Alexander McLellan - appointed 4th May 2017
Councillor Alan Donnelly	Councillor Ciaran McRae - appointed 4th May 2017
Councillor Jackie Dunbar	Councillor Alex Nicoll
Councillor Lesley Dunbar	Councillor Jim Noble
Councillor Sarah Duncan - appointed 4th May 2017	Councillor John Reynolds
Councillor Stephen Flynn	Councillor Gill Samarai
Councillor Gordon Graham	Councillor Philip Sellar - appointed 4th May 2017
Councillor Ross Grant	Councillor Jennifer Stewart
Councillor Martin Greig	Councillor Sandy Stuart
Councillor Dell Henrickson - appointed 4th May 2017	Councillor Gordon Townson
Councillor Ryan Houghton - appointed 4th May 2017	Councillor John Wheeler - appointed 4th May 2017
Councillor Brett Hunt - appointed 4th May 2017	Councillor Ian Yuill
Councillor Michael Hutchison	

All Trustees have served for the whole of the financial year to 31 March 2018 unless otherwise stated.

All the Trustees are normally elected or re-elected at local government elections. By-elections are held when elected members vacate their positions, to elect new members, who automatically become Trustees. New members are supplied with training as part of their induction process.

Following the local government elections on 4 May 2017 the following councillors resigned as trustees:

Lord Provost George Adam (Chairperson)	Councillor Graeme Lawrence
Councillor Scott Carle	Councillor Aileen Malone
Councillor Neil Cooney	Councillor Ramsay Milne
Councillor John Corall	Councillor Jean Morrison MBE
Councillor Graham Dickson	Councillor Nathan Morrison
Councillor Andrew Finlayson	Councillor Angela Taylor
Councillor Len Innes CBE	Councillor Ross Thomson
Councillor Muriel Jaffrey	Councillor Willie Young
Councillor Jim Kiddie	

Structure, governance and management

The Charitable Trusts are constituted in a variety of ways. The type of governing document is shown at Appendix 1, where they are available. Information regarding some of the trusts is not available owing to their antiquity and the fact that they have been administered by a number of government bodies since coming into public control.

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

Risk

The trustees have overall responsibility for the Charitable Trusts system of internal control, including financial reporting and compliance with laws and regulations. The trustees acknowledge that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Objectives and activities

Information on the purpose and nature of the trusts is given below.

Bridge of Don Fund

The fund, more properly known as the Brig O' Balgownie Trust Fund, was set up in 1605 and its original purpose was for the "repair and upholding of the Brig O' Balgownie". Modern charity legislation does not include bridge maintenance as a charitable purpose and OSCR have deemed that the purpose of this trust is the advancement of heritage.

In August 2016 the trust adopted a new constitution. In August 2017 the trust agreed to provide a grant of £36,000 to digitise 1200 pages of a volume of medieval town records.

The Bridge of Don Fund has a 30% interest in the Lands of Skene with the remainder of its funds being invested in the Aberdeen City Council Loans Fund.

Bridge of Dee Fund

This fund was established in the 16th Century for the support, maintenance, reparation and when it is necessary the re-building of the new stone bridge over the River Dee. As with the Bridge of Don Fund, above, OSCR have deemed that the charitable purpose of this trust should be the advancement of heritage.

An application to reorganise the Bridge of Dee Trust was approved by OSCR in May 2017 and the assets of this trust were transferred to the Bridge of Don Trust in October 2017 to be used for the advancement of heritage.

Alexander MacDonald's Bequest

This fund was established in 1882 for the purchase of works of art for the Aberdeen Art Gallery and Museum collection following the death of Mr. MacDonald.

Trust funds are invested in the Aberdeen City Council Loans Fund.

Aberdeen Art Gallery Trusts

This trust was reorganised in March 2014 by the adoption of a new trust deed and funds are used for the advancement of the arts by providing for the purchase of works of art for the collection of Aberdeen Art Gallery & Museum.

Trust funds are invested in the Aberdeen City Council Loans Fund.

Guildry

The Guildry was formed 800 years ago, giving merchants of Aberdeen considerable powers within the town of Aberdeen. Over time that power has diminished, and the membership is no longer restricted to merchants. Today the Guildry exists for the promotion of the City of Aberdeen. The governance of the Guildry was last updated by a Court of Session decision in 1996 which recognised the financial assistance scheme to Burgesses and their family members and a new scheme of educational bursaries. Educational bursaries have not been awarded for a number of years and the Dean of the Guild has been working with Aberdeen University, Robert Gordon University and the North East Scotland College to identify potential candidates for bursaries.

The Guildry is currently working on drafting a revised constitution to enable participation in a wider range of charitable activities.

Trust assets are a 40% share in the Lands of Skene and investments in the Aberdeen City Council Loans Fund.

Lands of Skene

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.

In recent years, a number of properties have been sold off and funds have been invested in the Aberdeen City Loans Fund.

The free revenue from the Lands of Skene is split between the following:

Guildry Funds – 40%

Bridge of Don Trust – 30%

Common Good Fund – 30%

This is believed to represent the share of investment in the original purchase of the lands.

Lands of Torry

The Lands of Torry goes back to at least 1704 when they were purchased on behalf of certain accounts:

Duncan Liddel's Mortification – Professor of Mathematics – 25%

Duncan Liddel's Mortification – Library of College – 2%

James Cargill's Mortification – Bursary Fund – 10%

Patrick Copland's Mortification – Professor of Divinity – 12%

Common Good Fund – 51%.

The annual surplus from this fund is now split between the following:

Common Good Fund – 51%

University of Aberdeen Bursary Fund – 49%.

Education Endowment Investment Funds (EEIF)

The EEIF comprises over 60 smaller trusts, bequests and legacies split over 3 general areas.

- Education – primarily concerned with prizes or awards at schools
- Social Work – largely to provide comforts at residential homes
- John Murdoch Henderson Bequest – to be used for the purchase of music of intrinsically Scottish interest for the Central Library, Aberdeen.

In general, the charities activities are limited to the accrual of income from investments for use as appropriate given the purposes of the charity.

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 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 charitable trust now comprises of the trusts listed in appendix 2, sixteen of these trusts relate to prizes or awards at school while the other trust is for the purchase of music.

The John Murdoch Henderson Trust adopted a new constitution in 2015 which allows for the purchase of a wider range of music. This trust has funded the subscription to on-line music services for Aberdeen City Library Service users. This trust will be wound up once its funds have been expended.

Financial Review

The Trusts' total income increased from £188k in 2016/17 to £197k in 2017/18. The main change relates to Lands of Torry, which has started leasing a previously unleased area of land to Aberdeen Harbour Board.

Total Expenditure reduced from £370k in 2016/17 to £252k in 2017/18. The main change in expenditure on charitable activities has been the agreement to pay a grant from Bridge of Don Trust towards the renovation of the Thomas Glover House of £150k in 2016/17, but no such grant was paid in 2017/18.

The value of Investments has increased from £3.502 million in 2016/17 to £4.024 million in 2017/18 as a result of a large increase in the value of investment properties held by Lands of Torry of £1.156 million offset by a decrease of £13k in the investments held by EEIF and the purchase of £10k investments by EEIF.

Investments in the City of Aberdeen Loans Fund have decreased from £3.312 million in 2016/17 to £3.249 million in 2017/18.

This has resulted in an increase in Net Assets from £7.058 million in 2016/17 to £8.146 million in 2017/18.

The following financial statements for all the Charitable Trusts have been prepared using the connected charities provision. They 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 the Aberdeen City Council Loans Fund.

The charities have no fundraising activities, as such, their annual income is earned through rentals on land and buildings, interest on cash balances, or through investment income by holding assets from securities to holdings in investment trusts. Consequently, the trusts' annual income will reflect the current record low interest rates and the limitations on increasing rents on farm properties governed by agricultural tenancies.

The value of land increased because an extra valuation was added during the year, relating to the lease of land by Lands of Torry to Aberdeen Harbour Board.

Reserves Policy

The Charitable Trusts have no explicit reserves policy, but as a general principle the "capital" of the funds is held effectively as a permanent endowment with only the annual income available for disbursement in the year.

The exceptions to this rule are for charities with little funds and a governing document that specifically states that the capital can be expended. An example of this would be the John Murdoch Henderson Bequest, which as noted above adopted a new constitution to enable the expenditure of the entire capital.

Aberdeen City Council Charitable Trusts hold unrestricted reserves totalling £8.021 million which are made up of unrestricted funds of £4.034 million and designated funds of £3.988 million. There are no restricted funds. Designated funds are those funds which relate to Aberdeen City Council non-charitable trusts which have invested in the Lands of Skene and Torry and at present no plans exist to spend this money.

Achievements and performance

A number of trusts have limited activity pending re-organisation, namely the EEIF and Guildry. The main charitable expenditure is the transfer of funds to the Aberdeen City Common Good Fund which finances a variety of activities for the benefit of the population of Aberdeen and funding for the Aberdeen University Bursary Fund. Further details are shown in the accounts within note 3.

Future plans

The Guildry has been working with the University of Aberdeen, Robert Gordon University and North East Scotland College to find candidates for its bursary scheme. A new constitution for the Guildry is being drafted and it is hoped to have this ready for trustee approval in the Autumn.

The EEIF is currently being reviewed as a number of school prizes relate to schools that no longer exist.

The limited funds held by the Alexander MacDonald Bequest will be used to fund the purchase of a work of art which will be unveiled at the re-opening of the Aberdeen Art Gallery and Museum following its refurbishment. The future of this

trust and the Aberdeen Art Gallery Trusts will be reviewed at that time as both trusts have minimal funds.

Aberdeen City Council is currently drafting an investment strategy which will cover trusts under their management.

STATEMENT OF THE TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The Trustees are responsible for preparing the Trustees' report and accounts 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 statements 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 company and hence for taking reasonable steps for the prevention or detection of fraud and other irregularities.

Signed by the Treasurer on behalf of the trustees on 8 May 2018.

.....
Steven Whyte, FCPFA
Treasurer

Appendix 1

Charity Name, Number and Purpose

Charity Name	Charity Number	Purpose	Governing Document
Guildry	SC011857	Support the Guildry activities including financial assistance scheme and educational bursaries	Court of Session Decision 1996
Bridge of Don Fund	SC018551	The advancement of Heritage	Constitution dated August 2016
Alexander MacDonald's Bequest	SC018568	Purchase of Works of Art for Aberdeen Art Gallery	Trust Deed 11 December 1882
Aberdeen Art Gallery Trusts	SC018575	Purchase of Works of Art for Aberdeen Art Gallery	Trust Deed March 2014
Bridge of Dee Fund	SC021297	The advancement of Heritage	Unavailable
Lands of Skene	SC018533	The advancement of Education	Unavailable
Lands of Torry	SC021299	The advancement of Education and the advancement of the Arts, Heritage, Culture and Science	Unavailable
Education Endowment Investment Funds	SC025063		Unavailable except for John Murdoch Henderson Trust Deed of May 2015.

APPENDIX 2

EEIF Charitable Trusts

D M Andrew Bequest	For prizes in Classics at Aberdeen Grammar School
Miss Elizabeth H Bain Bequest	For music tuition and for instruments to pupils in city schools
Mrs Athol Benzie Prize Fund	For best all round pupil in fifth year at Aberdeen Academy
Edith and David R Bishop Prize Fund	For prizes to pupils at Aberdeen Grammar School selected by the rector
Mrs Mina Brooks Memorial Prize	For prizes for children's theatre
Miss Lucy Cruickshank Prize Fund	For prize to best pupil or pupils in French or German at High School for Girls
Jessie Durno Prize Fund	For prize in Mathematics at Aberdeen Academy
Mary Durno Prize Fund	For prize in English at Aberdeen Academy
Margaret Duthie Memorial Prize Fund	For pupil showing the greatest endeavour at Dyce School
Miss Margaret C Harper Prize Fund	For best pupil in German at Aberdeen Academy
Miss Bessie Heriot Prize Fund	For prize to best girl at Kaimhill Secondary School
John M Robertson Memorial Prize Fund	For prize to best pupil in commercial subjects at Aberdeen Grammar School
Kenneth MacIntosh Bequest	For paying or supplementing the expenses of pupils at Aberdeen Grammar School who might otherwise not be able to afford the cost of school trips
Dr Charles McLeod Trust	For purchase of books on Physical Science or Astronomy at Aberdeen Grammar School
William Meston Bursary Fund	For bursary to pupil of merit at Culter School taking a secondary course
Dr George MacKenzie Prize Fund	For prize to best pupil in German in Aberdeen Academy
John M Henderson Bequest	To purchase music of intrinsically Scottish interest for the Central Library, Aberdeen

**Aberdeen City Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2018**

		Unrestricted Funds 2017/18 £'000	Restricted Funds 2017/18 £'000	Endowment Funds 2017/18 £'000	Total Funds 2017/18 £'000	Total Funds 2016/17 £'000
	<u>Note</u>					
Income and endowments from:						
Incoming resources from generated funds						
Donations & Legacies		1	-	-	1	1
Investments	2	196	-	-	196	187
Total		<u>197</u>	<u>-</u>	<u>-</u>	<u>197</u>	<u>188</u>
Expenditure on:						
Charitable Activities	3,4	252	-	-	252	370
Total		<u>252</u>	<u>-</u>	<u>-</u>	<u>252</u>	<u>370</u>
Net income/expenditure		(55)	-	-	(55)	(182)
Other recognised gains/(losses):						
Gains/(losses) on investment assets		1,156	-	(13)	1,143	(870)
Net movement in funds		<u>1,101</u>	<u>-</u>	<u>(13)</u>	<u>1,088</u>	<u>(1,052)</u>
Reconciliation of funds						
Total funds brought forward		6,923	-	135	7,058	8,110
Total funds carried forward		<u>8,024</u>	<u>-</u>	<u>123</u>	<u>8,146</u>	<u>7,058</u>

**Aberdeen City Council Charitable Trusts
Balance Sheet as at 31 March 2018**

	<u>Note</u>	2018 £'000	2017 £'000
Fixed assets			
Investments	5	4,635	3,502
Total fixed assets		4,635	3,502
Current assets			
Stocks and work-in-progress		1	0
Debtors	6	48	50
Investments - City of Aberdeen Loans Fund	7	3,249	3,312
Cash at bank - Guildry Investment Account		400	400
Total current assets		3,699	3,762
Liabilities			
Creditors: Amounts falling due within one year	8	(188)	(206)
		(188)	(206)
Net current assets/(liabilities)		3,511	3,556
Net asset/(liabilities)		8,146	7,058
The funds of the charity			
Endowment funds		125	135
Restricted income funds		-	-
		125	135
Unrestricted income funds:			
Designated Funds:			
Common Good Fund		2,600	2,011
Dr Duncan Liddel's Mortification - Professor of Mathematics		713	422
Dr Duncan Liddel's Mortification - Library of College		36	21
James Cargill Mortification - Bursary Fund		290	172
Patrick Copland's Mortification - Professor of Divinity		349	206
Unrestricted funds		4,034	4,091
Total unrestricted funds		8,021	6,923
Total charity funds	9	8,146	7,058

These accounts have been prepared in accordance with the Financial Reporting Standard 102.

The financial statements were approved and authorised for issue by the Treasurer on behalf of the trustees on 8 May 2018.

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Steven Whyte, FCPFA
Treasurer

Aberdeen City Council Charitable Trusts
Statement of Cash Flows
For the year ended 31 March 2018

	<u>Note</u>	Total Funds £'000	Prior Year Funds £'000
Net cash used in operating activities	12	<u>(269)</u>	<u>(213)</u>
Cash Flows from investing activities			
Dividends, interest and rents from investments		197	188
Proceeds from sale of property, plant and equipment		-	-
Purchase of investments		10	-
Net cash provided by investing activities		<u>207</u>	<u>188</u>
Change in cash and cash equivalents in the year		(63)	(25)
Cash and cash equivalents brought forward		<u>3,712</u>	<u>3,737</u>
Cash and cash equivalents carried forward	13	<u>3,649</u>	<u>3,712</u>

**Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018**

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 and comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 published September 2016.

In line with Regulation 7 of the 2006 Regulations, these financial statements have been prepared on the basis that the Trust funds for which Aberdeen City Council acts as sole Trustee are connected charities. As such, the accounts for the statements contain all relevant information that the individual accounts would have contained if they had been prepared on an individual basis.

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.

The John Murdoch Henderson Trust, part of the EEIF, had funds of £31k at 31 March 2018 and plans to expend remaining trust funds on subscriptions to on-line music services. When funds have been expended the trust will be wound up.

An application to reorganise the Bridge of Dee Trust by the transfer of all trust funds to the Bridge of Don Trust was agreed by OSCR in May 2017. The Bridge of Dee Trust was wound up during 2017/18.

Recognition of revenue and expenditure

All income and expenditure due to be paid or received in respect of the year ended 31 March 2018 has been provided for within these accounts. 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.

**Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018**

1 - Accounting policies (continued)

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 relates. Interest on invested funds is included when it is paid or when it is notified as being due.

Rent from properties is recognised as it is due.

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 based on the size of the fund.

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 objectives 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.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the Trustees Annual Report.

**Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018**

1 - Accounting policies (continued)

Funds (continued)

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 objectives of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. These funds are to be used in accordance with the specific restrictions imposed by donors.

Taxation

The Trusts are recognised by HM Revenue and Customs as charities and because 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 & Management Charges

Interest & 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.

**Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018**

1 - Accounting policies (continued)

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.

	2018 £'000	2017 £'000
2 INVESTMENT INCOME		
Interest receivable	29	31
Rent from Investment Properties	168	156
Share of lands free revenue	-	-
	<u>196</u>	<u>187</u>
3 CHARITABLE ACTIVITIES		
Donations and expenditures	50	179
Payments to Beneficiaries:		
Common Good Fund	74	67
Dr Duncan Liddel's Mortification - Professor of Mathematics	34	32
Dr Duncan Liddel's Mortification - Library of College	2	2
James Cargill Mortification - Bursary Fund	14	13
Patrick Copland's Mortification - Professor of Divinity	17	15
Property costs	8	8
	<u>199</u>	<u>316</u>
4 GOVERNANCE COSTS		
Accounting and administration	44	44
Audit Fee	9	10
	<u>53</u>	<u>54</u>

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018

	2018 £'000	2017 £'000
5 TANGIBLE FIXED ASSETS		
Market Value at 1 April	3,502	4,370
Net investment gains	522	(868)
Disposals	-	-
Market Value at 31 March	<u>4,024</u>	<u>3,502</u>
Investments at market value Comprised:		
Investment Properties	4,522	3,366
Gilts	7	8
Equities	106	128
	<u>4,635</u>	<u>3,502</u>

The property portfolio was valued internally by Deborah Wylie, Bsc MRICS and Neil Strachan, BLE MRICS who are Registered Valuers in accordance with the Statement of Assets Valuation Practice and guidance notes of the Royal Institute of Chartered Surveyors (RICS).

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.

6 DEBTORS		
Prepayments & accrued income	<u>48</u>	<u>50</u>
7 INVESTMENTS HELD AS CURRENT ASSETS		
City of Aberdeen Loan Funds	<u>3,249</u>	<u>3,312</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.

8 CREDITORS: Amounts falling due within one year		
Accruals and deferred income	185	194
Short Term Loan - Aberdeen City Council	<u>3</u>	<u>12</u>
	<u>188</u>	<u>206</u>

9 ANALYSIS OF NET ASSETS IN FUNDS	Tangible fixed assets	Current assets (liabilities)	Total	Total
	£'000	£'000	£'000	£'000
Unrestricted funds	4,635	3,511	<u>8,146</u>	<u>7,058</u>

10 CONTROLLING INTEREST	
Each charity is under the control of its trustees.	

Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018

	2018	2017
	£'000	£'000
11 RELATED PARTY TRANSACTIONS		
Aberdeen City Council provides the accounting services for the trust for which a management fee is charged.	<u>35</u>	<u>37</u>
The trust also has funds deposited with Aberdeen City Loans Fund as detailed in note 7.		
12 RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	1,088	(1,052)
Adjustments for:		
(Gains)/losses on investments	(1,143)	870
Dividends, interest and rents from investments	(197)	(188)
Decrease/(increase) in stocks	(1)	-
Decrease/(increase) in debtors	2	-
Increase/(decrease) in creditors	(18)	157
Net cash provided by (used in) operating activities	<u>(269)</u>	<u>(213)</u>
13 ANALYSIS OF CASH AND CASH EQUIVALENTS		
Investments - City of Aberdeen Loans Fund	3,249	3,312
Cash at bank - Guildry Investment Account	<u>400</u>	<u>400</u>
	<u>3,649</u>	<u>3,712</u>

**Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018**

14 ANALYSIS OF CHARITABLE TRUSTS

		Individual Trust Balances					Balance
Charity	Balance	Transfer	Revaluation of	Income	Expenditure	as at 31	
Number	as at 1	between	Investments	£'000	£'000	March	
	April 2017	Funds	£'000	£'000	£'000	2018	
	£'000	£'000				£'000	
EEIF	SC025063	(183)	-	13	(3)	10	(163)
Guildry	SC011857	(2,700)	-	-	(13)	28	(2,686)
Bridge of Don	SC018551	(1,251)	(34)	-	(5)	38	(1,252)
Bridge of Dee	SC021297	(34)	34	-	-	-	-
Alexander MacDonald Bequest	SC018568	(32)	-	-	(0)	1	(31)
Aberdeen Art Gallery Trust	SC018575	(27)	-	-	(0)	0	(26)
Lands of Skene	SC018533	(3,859)	-	-	(47)	47	(3,859)
Lands of Torry	SC021299	(1,674)	-	(1,156)	(137)	137	(2,830)
Total		(9,759)	-	(1,143)	(207)	262	(10,847)

The above table shows the balances of the individual trust fund before the removal of intra trust transactions as both the Guildry (40%) and the Bridge of Don Trust (30%) are invested in Lands of Skene. The table below shows the individual balances after the removal of these transactions.

		Individual Trust Balances after adjusting for intra trust transactions					Balance
Charity	Balance	Transfer	Revaluation of	Income	Expenditure	as at 31	
Number	as at 1	between	Investments	£'000	£'000	March	
	April 2017	Funds	£'000	£'000	£'000	2018	
	£'000	£'000				£'000	
EEIF	SC025063	(183)	-	13	(3)	10	(163)
Guildry	SC011857	(1,038)	-	-	(8)	28	(1,018)
Bridge of Don	SC018551	(4)	(34)	-	(1)	38	(1)
Bridge of Dee	SC021297	(34)	34	-	-	-	-
Alexander MacDonald Bequest	SC018568	(32)	-	-	(0)	1	(31)
Aberdeen Art Gallery Trust	SC018575	(27)	-	-	(0)	0	(26)
Lands of Skene	SC018533	(4,067)	-	-	(47)	38	(4,076)
Lands of Torry	SC021299	(1,674)	-	(1,156)	(137)	137	(2,830)
Total		(7,058)	-	(1,143)	(197)	252	(8,146)

**Aberdeen City Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018**

15 ANALYSIS OF CHARITABLE TRUSTS BALANCE SHEETS

Charity Name	Charity Number	Individual Trust Balances											Total £'000
		Gilt £'000	Equities £'000	Investments £'000	Heritable Property £'000	Stock £'000	Investment Aberdeen City Council		Cash at Bank £'000	Debtors £'000	Creditors £'000	Provision £'000	
							Loans	Fund £'000					
EEIF	SC025063	7	106	-	-	-	-	49	-	-	-	-	163
Guldry	SC011857	-	-	1,544	-	1	743	400	0	(3)	-	-	2,686
Bridge of Don	SC018551	-	-	1,158	-	-	263	-	-	-	(168)	-	1,252
Bridge of Dee	SC021297	-	-	-	-	-	-	-	-	-	-	-	-
Alexander McDonald Bequest	SC018568	-	-	-	-	-	31	-	-	-	-	-	31
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	-	26	-	-	-	-	-	26
Lands of Skene	SC018533	-	-	-	1,717	-	2,136	-	7	(1)	-	-	3,859
Lands of Tony	SC021299	-	-	-	2,805	-	-	-	41	(16)	-	-	2,830
Total		7	106	2,701	4,522	1	3,249	400	48	(20)	(168)	-	10,847

The above table shows the balances of the individual trust fund before the removal of intra trust transactions as both the Guldry (40%) and the Bridge of Don Trust (30%) are invested in Lands of Skene. The table below shows the individual balances after the removal of these transactions.

Charity Name	Charity Number	Individual Trust Balances after adjusting for intra trust transactions											Total £'000
		Gilt £'000	Equities £'000	Investments £'000	Heritable Property £'000	Stock £'000	Investment Aberdeen City Council		Cash at Bank £'000	Debtors £'000	Creditors £'000	Provision £'000	
							Loans	Fund £'000					
EEIF	SC025063	7	106	-	-	-	-	49	-	-	-	-	163
Guldry	SC011857	-	-	-	-	1	619	400	0	(3)	-	-	1,018
Bridge of Don	SC018551	-	-	-	-	-	169	-	-	0	(168)	-	1
Bridge of Dee	SC021297	-	-	-	-	-	-	-	-	-	-	-	-
Alexander McDonald Bequest	SC018568	-	-	-	-	-	31	-	-	-	-	-	31
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	-	26	-	-	-	-	-	26
Lands of Skene	SC018533	-	-	-	1,717	-	2,354	-	7	(1)	-	-	4,076
Lands of Tony	SC021299	-	-	-	2,805	-	-	-	41	(16)	-	-	2,830
Total		7	106	-	4,522	1	3,249	400	48	(20)	(168)	-	8,146

