

# Public Document Pack

## ADDITIONAL CIRCULATION



To: Councillor Laing, Convener; Councillor Lumsden, Vice Convener; and Councillors Boulton, Alex Nicoll and Yuill.

Town House,  
ABERDEEN, 4 May 2020

## **URGENT BUSINESS COMMITTEE**

The undernoted items are circulated in connection with the meeting of the **URGENT BUSINESS COMMITTEE** to be held remotely on **WEDNESDAY, 6 MAY 2020 at 2.00pm.**

FRASER BELL  
CHIEF OFFICER - GOVERNANCE

### **BUSINESS**

- 6 Council Financial Performance Quarter 4 2019/20 - RES/20/079 (Pages 3 - 24)
- 7 Unaudited Annual Accounts 2019/20 - RES/20/080 (Pages 25 - 212)

Should you require any further information about this agenda, please contact Martyn Orchard 01224 523097 or email [morchard@aberdeencity.gov.uk](mailto:morchard@aberdeencity.gov.uk)

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## ABERDEEN CITY COUNCIL

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|                           |  |
|---------------------------|--|
| <b>COMMITTEE</b>          | Urgent Business Committee                          |
| <b>DATE</b>               | 6 May 2020   |
| <b>EXEMPT</b>             | No   |
| <b>CONFIDENTIAL</b>       | No   |
| <b>REPORT TITLE</b>       | Council Financial Performance – Quarter 4, 2019/20 |
| <b>REPORT NUMBER</b>      | RES/20/079   |
| <b>DIRECTOR</b>           | Steven Whyte                                       |
| <b>CHIEF OFFICER</b>      | Jonathan Belford                                   |
| <b>REPORT AUTHOR</b>      | Lesley Fullerton                                   |
| <b>TERMS OF REFERENCE</b> | UBC 1  |

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### 1. PURPOSE OF REPORT

- 1.1 To provide the full year actual financial position of the Council against budget for the financial year 2019/20, including:
- General Fund and Housing Revenue Account (HRA) revenue and capital accounts; and
  - Common Good Revenue Account and Balance Sheet.

### 2. RECOMMENDATION(S)

It is recommended that the Committee: -

- 2.1 Note the unaudited final outturn position for financial year 2019/20 as detailed in Appendix 1.
- 2.2 Note that the General Fund has recorded a surplus of £0.8m for the 2019/20, which has been added to the uncommitted working balance.
- 2.3 Note that the Housing Revenue Account and Common Good surpluses for the year increase their working balances.
- 2.4 Approve the various transfers for 2019/20, between Council Reserves and Earmarked sums for the General Fund, Housing Revenue Account, Common Good and Statutory Funds as at 31 March 2020, as detailed in Appendix 1.
- 2.5 Approve the reprofiling of the 2020/21 – 2024/25 capital programmes to take account of the year end position and that the outcome of this is incorporated into the 2020/21 Quarter 1 reporting.

- 2.6 Note that the unaudited Annual Accounts for 2019/20 will be presented to this committee also on 6<sup>th</sup> May 2020, along with the Annual Governance Statement and Remuneration Report.

### 3. BACKGROUND

- 3.1 This report focuses on the final financial position for the year to 31 March 2020 for the Council's General Fund, Housing Revenue Account and Common Good.
- 3.2 The actual position for the year is presented in Appendix 1.

### 4. FINANCIAL IMPLICATIONS

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

| <b>Revenue</b> | <b>2019/20<br/>Budget<br/>£'000</b> | <b>2019/20<br/>Actual<br/>(Surplus) /<br/>Deficit<br/>£'000</b> | <b>Variance<br/>(Under) / Over<br/>Budget<br/>£'000</b> |
|----------------|-------------------------------------|---|---|
| General Fund   | (900)                               | (1,662)   | (762)   |
| HRA            | (500)                               | (500)   | 0   |
| Common Good    | 2,412                               | 2,209   | (203)   |

- 4.2 Appendix 1 also includes a Management Commentary providing information on the 2019/20 financial position, including details of the movement between Reserves.
- 4.3 The capital position can be summarised as follows:

| <b>Capital</b> | <b>2019/20<br/>Budget<br/>£'000</b> | <b>2019/20<br/>Actual<br/>Expenditure<br/>£'000</b> | <b>Variance<br/>(Under) / Over<br/>Budget<br/>£'000</b> |
|----------------|-------------------------------------|---|---|
| General Fund   | 258,585                             | 157,711   | (100,874)   |
| HRA            | 46,760                              | 51,931  | 5,171   |

- 4.4 The underspending on Capital is in relation to a wide range of projects, which have been reported on during the course of the year. These figures remain unaudited and following the audit of the Annual Accounts the 2020/21 capital budgets, as appropriate, will be updated to take account of the continuing nature of capital investment projects, and be reprofiled to enable projects to be completed.
- 4.5 The usable reserves have moved as follows:

| <b>Usable Reserves</b> | <b>Balance at 31 March 2019<br/>£'000</b> | <b>Balance at 31 March 2020<br/>£'000</b> | <b>Movement<br/>£'000</b> |
|------------------------|---|---|---------------------------|
| General Fund           | (35,054)                                  | (35,390)                                  | (336)                     |
| HRA                    | (12,308)                                  | (12,808)                                  | (500)                     |
| Statutory & Other      | (10,825)                                  | (11,377)                                  | (552)                     |
| <b>Total</b>           | <b>(58,187)</b>                           | <b>(59,575)</b>                           | <b>(1,388)</b>            |

- 4.6 All of the usable reserve's balances have increased during the year, and Appendix 1 also shows the change there has been in the use of earmarked sums during the year. The value of these changes due to the nature of the earmarked sum as they are set aside for funding specific projects, and this can influence when the funds are used. Larger earmarked sums include the Second and Long-term Empty Properties and Transformation funds. The uncommitted balance that remains on the General Fund has increased due to the financial performance for the year. This ensures that the sums held are in line with the Council approved Reserves Policy (March 2020).
- 4.7 The increase in the HRA is as a result of the operational surplus achieved. The Statutory and Other Usable Reserves include the Capital Fund and Insurance Funds and transfers have included capital receipts and contributions from revenue.
- 4.8 At the year end the Council retains a significant value in usable reserves to use and provide the basis for financial resilience required into 2020/21. This should be seen in light of the impact described in the Financial Resilience report, also on the agenda for this Committee.

## 5. LEGAL IMPLICATIONS

- 5.1 While there are no direct legal implications arising from the recommendations of this report, there are additional reporting requirements due to the London Stock Exchange listing, for example the requirement to notify them ahead of publication of the report.

## 6. MANAGEMENT OF RISK

|                  | <b>Risk.</b>  | <b>Low (L),<br/>Medium (M),<br/>High (H)</b> | <b>Mitigation</b>   |
|------------------|---|--|---|
| <b>Financial</b> | The risk following the year end are audit adjustments that arise through the process. | M  | The year end and Annual Accounts have been prepared in the line with accounting practice and standards and year end reviews have been carried out to ensure that the final position presented is comprehensive. |

|                     |  |   |  |
|---------------------|--|---|--|
| <b>Legal</b>        | There is a risk that the year end and Annual Accounts don't comply with statutory guidance and legislation.  | L | The year end and Annual Accounts have been prepared in the line legislation and statutory guidance.  |
| <b>Employee</b>     | None identified  |   |  |
| <b>Customer</b>     | None identified  |   |  |
| <b>Environment</b>  | None identified  |   |  |
| <b>Technology</b>   | None identified  |   |  |
| <b>Reputational</b> | There is a risk that through the reduction of expenditure the Council may be criticised that spending isn't in line with public expectation of service delivery. | M | The Council has continued to address priority spending areas, and to protect people. It is equally accountable for the use of public funds and to ensure that they are managed robustly. There are a wide range of unknown external factors that require to be balanced to deal with the current operating environment. Regular reporting during the year has provided an ongoing description of the position the Council is in and the situations it faces. |

## 7. OUTCOMES

| <b>Local Outcome Improvement Plan Themes</b> |  |
|--|--|
|  | <b>Impact of Report</b>  |
| <b>Prosperous Economy</b>                    | The Council continues to invest in front-line services across its statutory responsibilities as well as capital infrastructure. Investment in the city will have a positive impact on the economy. |
| <b>Prosperous People</b>                     | Robust and effective management of the Council's finances provide the basis for achieving our outcomes and allocating resources to those that need it most.  |
| <b>Prosperous Place</b>                      | Investment, through our capital programme, will enhance the place by creating a better and more vibrant city in which to live.   |

## 8. IMPACT ASSESSMENTS

| <b>Assessment</b>                                    | <b>Outcome</b> |
|--|----------------|
| <b>Equality &amp; Human Rights Impact Assessment</b> | Not required   |
| <b>Privacy Impact Assessment</b>                     | Not required   |
| <b>Duty of Due Regard / Fairer Scotland Duty</b>     | Not applicable |

## 9. BACKGROUND PAPERS

None.

## 10. APPENDICES

Appendix 1 – Financial Position for the Year 2019/20

## 11. REPORT AUTHOR CONTACT DETAILS

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**FINANCIAL POSITION  
FOR THE YEAR 2019/20**

## Contents

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## **Management Commentary**

The purpose of the management commentary is to inform readers, helping them to assess how the Council is performing and understand our financial performance for the year to 31 March 2020.

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

## **Background**

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

The Council is also responsible for the Common Good.

In March 2019 the Council set balanced budgets for financial year 2019/20. This took account of obligations and duties placed upon it by legislation and national priorities alongside local political priorities, and was the second budget designed around the Target Operating Model (TOM) changes that the Council had agreed to implement. The financial conditions in which the budget was set remained challenging as continued resource constraint, settlement conditions and funding targeted on specific projects / priorities meant that less money was available to fund the core Council operations that it had in place. Savings and efficiencies were a familiar and ever-present requirement in setting the budget and pressures did not reduce during the year requiring the strong financial management the Council has demonstrated.

A multi-billion pound Balance Sheet supported continued capital investment in the city and the strength of the balance sheet is an area of focus for the Council, not least to support its regulatory requirements of maintaining its credit rating, following the issue of bonds on the London Stock Exchange (LSE) in 2016.

Decisions prior to the budgets being set signalled the way forward, to reduce the cost of the organisation and to shrink the scale of the workforce, through the use of the Voluntary Severance / Early Retirement policies and turnover / vacancy management.

The Housing Revenue Account budgets were set in light of inflation based rent rises for 2019/20 and ongoing pressure from lengthy housing waiting lists, which underpinned a commitment to build 2,000 new council houses and hundreds of houses commenced construction phase during the year.

The Common Good budget was set using the investment returns from the land, property and cash held. A distribution of approximately £6m for the year covered a range of Council run and externally organised projects and activities.

## Financial Performance Reporting and Annual Accounts

This is the fourth and final quarterly financial performance report for 2019/20 which meets the requirements of the Council and of the LSE, and provides financial transparency for citizens of the City and beyond.

Having reached the end of the financial year the Council has delivered on its early reporting commitment for each quarter and has again worked to a faster closedown, and early production of the Council's Annual Accounts. A particularly challenging task given the resource changes required to respond to the Covid-19 pandemic. The advantage has been the robust procedures and deadlines in place that are needed to ensure the unaudited Annual Accounts can be produced by the end of April 2020 and the progress already made before the effects were felt. The Council is working with the auditors to present reports and audited Annual Accounts by the end of June 2020.

To this end, the year end instructions were issued mid November 2019 through e-mail to all budget holders and thereafter with regular alerts on The Zone, and key processes such as the Asset Valuations, were signed off earlier to make sure there were no delays. The unaudited Annual Accounts being produced by 30<sup>th</sup> April in order to meet this Urgent Business Committee meeting date of 6 May 2020.

### Covid 19

While the pandemic has not had a material impact on the financial performance of the Council in 2019/20 the impact going forward into 2020/21 is forecast to be significant. A specific Financial Resilience report has been prepared for the March and May Urgent Business Committees.

### 2019/20 Financial Position

#### • General Fund Revenue

The Council has achieved a small surplus for 2019/20 (£0.8m) against budget, this is shown in the table presented on page 4. This in line with the forecasts provided to the Committee based on Quarter 4 expenditure levels, where contingency funding remained available at the year end. Explanations are also provided for the key variances from budget.

The financial position takes into account the need for the Council to earmark certain sums that are recommended to be earmarked for use in future years, as required by statute or having arisen from unspent/received in advance grant funding. Further information on reserves and earmarked sums is included in pages 11-12.

#### • Housing Revenue Account

The impact of reduced capital financing along with repairs and maintenance costs within the HRA has resulted in a significant saving in 2019/20. This has created a substantial surplus and in line with the previously agreed reserves policy, the surplus is added to the Housing Revenue Account working balances, after increasing funding for in-year capital investment. A summary of the HRA is shown on page 8.

- **General Fund Capital**

A significant year for capital investment, the Council welcomed the opening of the P&J Live Arena, Hilton and Aloft hotels and Energy Centre at TECA, followed later in the year by the reopening of the Aberdeen Art Gallery.

The final position on the General Fund capital programme is provided on page 9, with the final spend for 2019/20 reflecting interim valuations for projects that were on site at 31 March 2020. An underspend has been forecast throughout the year and this has been achieved, for reasons captured through the year. Differences between actual spend and forecast outturn will result in a realignment of budgets in Quarter 1, 2020/21.

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

- **Housing Capital**

The final position on the Housing capital programme is provided on page 10, including key project indicators as well as financial details. The capital programme is funded predominantly through contributions from the Housing Revenue Account and borrowing.

- **Reserves**

Having reached the end of the financial year and as in previous years, a review the overall position for both revenue and capital, in the context of the Council's Balance Sheet and Reserves Policy has been undertaken and action taken to ensure the Council is suitably prepared for future revenue and capital investment purposes. This has included taking account of the decisions that were made by the Council at the budget setting meeting for financial year 2020/21.

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

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

In certain circumstances, funds are required to be earmarked for use in future years. This can be to fulfil statutory obligations or where funding has been received but not yet been spent. The most significant of these are income from second/long term empty homes, bus lane enforcement and pupil equity funding. The Council is free to earmark General Fund reserves for purposes that it determines, a significant example is the commitment to the Transformation Fund.

The review of reserves is reflected in the table below that summarise the Council's Usable Reserves at the start and end of 2019/20, and is also shown in more detail in the Reserves section on page 11.

The General Fund Budget for 2019/20 made two commitments, one to contribute £0.9m to the uncommitted balance; and the other to use £1.2m of earmarked sums to contribute to the budget. In addition to the additional £0.9m approved in the budget the surplus of £0.8m for the year has been added to the uncommitted balance in order to increase the value to the recommended level in accordance with the Council approved Reserves Policy 2020.

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

| <b>31 March<br/>2019<br/>£'000</b> | <b>Usable Reserves</b>       | <b>31 March<br/>2020<br/>£'000</b> |
|------------------------------------|------------------------------|------------------------------------|
| <b>(35,054)</b>                    | General Fund                 | <b>(35,390)</b>                    |
| <b>(12,308)</b>                    | Housing Revenue Account      | <b>(12,808)</b>                    |
| <b>(10,825)</b>                    | Statutory and Other Reserves | <b>(11,377)</b>                    |
| <b>(58,187)</b>                    | <b>Total Usable Reserves</b> | <b>(59,575)</b>                    |

- **Common Good**

The year end position shows an underspend of £200k and details are provided on page 10. This benefits the cash balances held by the Common Good at the end of the year, in addition a net capital receipt adds to the cash balances. Taking account of the 2020/21 budget decisions the resulting position shows that the cash balances of the Common Good remain ahead of the previously agreed minimum requirement.

### **Conclusion**

This has been a financially successful year with costs controlled and budgets achieved across the range of Council accounts. Capital investment came to life with the opening of important buildings in the City during the year, TECA and the Art Gallery to significant acclaim. Construction activity increased on the new-build housing programme.

The year ended with the early impact of the Covid-19 pandemic being felt and changes being made to governance as the Council moved to respond and step up critical services in support of people. Schemes to support business and individuals were implemented under Scottish Government guidance and instruction.

Throughout, the overall financial performance of the Council reflects strong financial management and timely and transparent reporting of the quarterly position and full year position. This continues to be in a format that mirrors the Annual Accounts, and supports the early close procedures and timely notification of the LSE.

## General Fund Revenue

| As at 31 March 2020  | Budget<br>2019/20 | Actuals<br>2019/20 | Variance<br>(Actual -<br>Budget) | Notes |
|--|-------------------|--------------------|----------------------------------|-------|
|  | £000s             | £000s              | £000s                            |       |
| Operations   | 248,170           | 248,595            | 425                              | 1     |
| Customer   | 34,551            | 34,222             | (329)                            | 2     |
| Commissioning  | 5,945             | 8,044              | 2,099                            | 3     |
| Resources  | 3,429             | 3,138              | (291)                            | 4     |
| Place  | 15,287            | 15,172             | (114)                            | 5     |
| Governance   | 2,743             | 2,994              | 251                              | 6     |
| Integrated Joint Board   | 89,432            | 89,432             | 0                                | 7     |
| <b>Total Functions Budget</b>                                  | <b>399,557</b>    | <b>401,598</b>     | <b>2,041</b>                     |       |
| Contingencies  | 5,498             | 4,609              | (890)                            | 8     |
| Council Expenses   | 2,954             | 4,619              | 1,666                            | 9     |
| Joint Boards   | 1,706             | 1,689              | (17)                             | 10    |
| Miscellaneous Services   | 43,618            | 39,988             | (3,630)                          | 11    |
| <b>Total Corporate Budgets</b>                                 | <b>53,776</b>     | <b>50,904</b>      | <b>(2,872)</b>                   |       |
| Non Domestic Rates   | (258,560)         | (262,344)          | (3,784)                          | 12    |
| General Revenue Grant  | (71,926)          | (71,926)           | 0                                | 13    |
| <b>Government Support</b>                                      | <b>(330,486)</b>  | <b>(334,270)</b>   | <b>(3,784)</b>                   |       |
| Council Tax  | (122,516)         | (122,817)          | (301)                            | 14    |
| <b>Local Taxation</b>  | <b>(122,516)</b>  | <b>(122,817)</b>   | <b>(301)</b>                     |       |
| <b>Deficit/(Surplus)</b>                                       | <b>331</b>        | <b>(4,585)</b>     | <b>(4,916)</b>                   | 15    |
| Group Entity - Accounting Standards adjustment                 | 0                 | 706                | 706                              | 16    |
| <b>Deficit/(Surplus) before Movement in Earmarked Reserves</b> | <b>331</b>        | <b>(3,879)</b>     | <b>(4,210)</b>                   |       |
| Contribution from Earmarked Reserves                           | (1,231)           | (1,231)            | 0                                | 17    |
| Contribution to Earmarked Reserves                             | 0                 | 3,448              | 3,448                            | 18    |
| <b>Deficit/(Surplus) after Movement in Earmarked Reserves</b>  | <b>(900)</b>      | <b>(1,662)</b>     | <b>(762)</b>                     |       |
| <b>Increase in Uncommitted General Fund Balance</b>            | <b>(900)</b>      | <b>(1,662)</b>     | <b>(762)</b>                     | 19    |

## Notes

It should be noted that the full year budgets reflected above differ from those set by Council in March 2019 for a number of reasons. This is normal practice during the year as virements are

identified or additional funding provided. The main changes in services relate to the allocation of procurement, staff vacancy and savings arising from changes to the staffing establishment as a result of VS/ER which were held within contingencies at the time the budget was set.

1. Operations is the largest function within Aberdeen City Council with responsibility for delivering key statutory and frontline services to children and young people, adults, families and communities of Aberdeen. This includes the delivery of early years, primary, secondary, special education and children's social work services. This function is also responsible for operative services such as waste collection, facilities management, fleet, building services, roads and infrastructure.

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

- Foster care costs (£2m) have risen due to the inability to recruit foster carers to the Council scheme, a national problem, with a high number of placements now being provided by external agencies that charge higher fees as part of a national contract;
- Early Years services have been delivered within budget (£2m), grant funding to support expansion of service has been carried forward to 2020/21.
- There was an underspend in the Pupil Equity Fund (920k). This will be carried forward as an earmarked reserve for use in future years.
- A reduction in income from recyclates and collections (£1m) in Waste has been offset by reduced spend on the waste disposal contract (£740k).

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

2. Customer is responsible for managing all internal and external customer contact. It brings together housing, libraries, community learning, community safety and locality planning to support the development of sustainable communities and enable individuals to manage their own lives. There is a focus on creating digital services for customers that are easy to use and improving access to services. It is responsible for providing external communications, advice and support to ensure effective communications with external audiences, and to promote the reputation of the Council.

- Housing Benefits is reflecting a £1.4m underspend
- Additional investment on IT systems and operations on computers and additional equipment to support the digital transformation £400k

3. Commissioning is responsible for both commissioning and procuring the best service/partner to deliver the agreed outcomes of the new structure. Business Intelligence and Performance Management also sits within Commissioning. They are responsible for identifying social, economic and digital trends of the city in the future and how the Council meets these needs. This function is also be responsible for managing and monitoring the service-level agreements with the Council's Arm's Length External Organisations (ALEOs).

- Included in the variance is an additional contribution to the Insurance Fund (£0.3m), to take account of changing liabilities and year end review of value held to meet past insurance events.

4. Resources is responsible for the selection, retention and development of the Council's staff and the financial planning, monitoring and reporting of the Council. They manage the development of design and delivery of all strands of capital including the city centre masterplan, city region deal investments, the schools estates strategy, roads infrastructure



and housing. The Corporate Landlord aspect is responsible for the commercial and non-commercial land and property assets, facilities management and council housing stock management.

- The overall underspend of £0.3m, includes savings being achieved in the management of properties and in energy management activities.

5. Place includes both City Growth and Strategic Place Planning.

City Growth represents the Council and the City of Aberdeen on local, regional, national and international stages with key responsibilities for outward trade, a diverse employability and skills base, and a focus on tourism, culture and the development of a city events programme.

- An overspend against budget was as a result of under-recovery of income across several projects

Strategic Place Planning focus is to enable, facilitate and deliver Strategic Place Planning which includes all of the transport, environment, housing, building, planning and digital initiatives that will help to deliver major infrastructure projects.

- An underspend against budget was reported from as a result of increased fee income in building standards and lower than budgeted expenditure in development strategy.

6. Governance includes Legal Services, Democratic Services, Audit, Policy, Emergency Planning and Corporate Health & Safety.

- Cost pressures exist in relation to income and the impact of expenditure on unplanned elections resulted in an overall overspend against budget.

7. Integration Joint Board (IJB) / Adult Social Care is responsible for the provision of health and social care services to adults, with the expenditure incurred being on services which the IJB has directed the Council to deliver on its behalf such as the provision of care to the elderly and support to adults with support needs.

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

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

8. Contingencies hold budgets that enable the Council to plan and address known/expected costs in-year without relying on the Usable Reserves held by the Council. The value of contingencies has changed frequently as adjustments and decisions have been made throughout the year. This includes the allocation of corporate and staff savings.

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

9. Council Expenses includes the cost of councillors, audit costs and provision for doubtful debts.

The main variance which has produced an overspend is the review of the provision for bad debt in the Council and the detailed analysis that has been undertaken at year end including consideration of the impact of Covid-19 pandemic on debt recovery.

10. Joint Boards represents the amount requisitioned by Grampian Valuation Joint Board which is known during the year and is therefore showing no significant variance.
11. Miscellaneous Services includes capital financing costs, the cost of repaying the borrowing received in the past for General Fund Capital Programme investment. Capital Financing Costs is the most significant budget within Miscellaneous Services, and includes the impact of accounting requirements in relation to the Council's Bond Issue, and an overall increased level of external borrowing. The actual charges for 2019/20 take account of the beneficial impact that arises from implementing the approved treasury and investment policy, following a review of the useful lives of Council assets, and the interest rate applicable to the debt is a prudent approach to accounting for capital financing costs and results in costs that are ahead of budget.
12. Non-Domestic Rates this is the value guaranteed by the Scottish Government rather than the value collected by the Council, as this is in line with the accounting practice. In addition to current year NDR receipts the council received additional monies in respect of a BRIS payment from Scottish Government (3.9m).
13. General Revenue Grant in line with the Scottish Government Finance Circular which has been redetermined at the year end and funding paid in relation to announcements during the year.
14. Council Tax this takes account of the total value of council tax for the year, along with any adjustments for prior years that has to be accounted for. The total value is higher than had been budgeted however a sum has to be set aside for the purpose of funding affordable housing projects and this is set aside as an earmarked sum in the General Fund. Levels of collection and doubtful debt are reviewed on a regular basis.
15. General Fund Deficit/(Surplus) before Reserves and Group Adjustments is this value of all expenditure and income incurred during the year that compares to budget. This is before the transfer of funds to the General Fund Earmarked Reserves, taken account of in this report as it is an underlying assumption when forecasting the year end.
16. Group Entity – Accounting Standards Adjustment this is a value, that due to the introduction of International Financial Reporting Standard 9 in 2018/19. The reduction in value of the Council's investment in the Aberdeen Sports Village, calculated as part of the group accounts reporting has to be charged to the Council's Income and Expenditure Account. Similarly if, in future, the value of the investment rises this will be an additional sum received through the Income and Expenditure Account. Regular monitoring of this impact will be incorporated into the Council reporting procedures.
17. Contributions from Earmarked Reserves budget was set with a contribution of £1.2m towards the cost of services.
18. Contributions to Earmarked Reserves is the value that is to be approved and set aside for statutory and policy reasons, further information is included about which Earmarked Reserves are affected on page 13.

19. Increase in Uncommitted General Fund Balance shows the overall position that was expected – a budget contribution of £0.9m and the actual, following a small underspend of £0.762m, generating a total contribution to the uncommitted balance of £1.7m for the year.

### Housing Revenue Account

Housing Revenue Account is responsible for the provision of council housing to over 20,000 households with the most significant areas of expenditure being on repairs and maintenance and the servicing of debt incurred to fund capital investment in the housing stock. This is a ring fenced account such that its costs must be met by rental income. In line with the previously agreed policy to increase reserves.

| Housing Revenue Account<br>As at 31 March 2020 | Budget<br>2019/20<br>£'000 | Actual<br>2019/20<br>£'000 | Variance<br>£'000 |
|--|----------------------------|----------------------------|-------------------|
| Net Expenditure                                | (500)                      | (500)                      | 0                 |

There are significant underspends within the HRA principally repairs and maintenance of £2.4m which reflects this expenditure is demand led and is dependent on resources within Building Services, and capital financing charges of £1.3m following the implementation of the revised capital financing policy. These under spends mean that an increased level of contribution can be made from revenue to pay for capital (CFCR), which amounts to £4.5m and reduces the level of borrowing required in the future.

### General Fund Capital Programme

| As at Period 12 2019/20                                    | Gross Figures for 2019/20   |                                 |                   |
|--|-----------------------------|---------------------------------|-------------------|
|  | Approved<br>Budget<br>£'000 | Expenditure<br>to Date<br>£'000 | Variance<br>£'000 |
| AECC Programme Board                                       | 95,964                      | 81,590                          | (14,374)          |
| Asset Management Programme Board                           | 31,228                      | 13,767                          | (17,461)          |
| Asset Management Programme Board Rolling Programmes        | 27,721                      | 17,761                          | (9,960)           |
| City Centre Programme Board                                | 24,343                      | 8,055                           | (16,288)          |
| Energy Programme Board                                     | 31,817                      | 21,902                          | (9,915)           |
| Housing and Communities Programme Board                    | 3,192                       | 880                             | (2,312)           |
| Housing and Communities Programme Board Rolling Programmes | 1,006                       | 631                             | (375)             |
| Transportation Programme Board                             | 25,665                      | 7,552                           | (18,113)          |
| Transportation Programme Board Rolling Programmes          | 3,307                       | 605                             | (2,702)           |
| Strategic Asset & Capital Plan Board                       | 14,342                      | 3,789                           | (10,553)          |
| Developer Obligation Projects & Asset Disposals            | 0                           | 1,179                           | 1,179             |
| <b>Total Expenditure</b>                                   | <b>258,585</b>              | <b>157,711</b>                  | <b>(100,874)</b>  |
| <b>Capital Funding:</b>                                    |                             |                                 |                   |
| Income for Specific Projects                               | (67,688)                    | (15,806)                        | 51,881            |
| Developer Contributions                                    | 0                           | (1,179)                         | (1,179)           |
| Capital Grant  | (27,671)                    | (27,949)                        | (278)             |
| Other Income e.g. Borrowing                                | (163,226)                   | (112,776)                       | 50,450            |
| <b>Total Income</b>  | <b>(258,585)</b>            | <b>(157,711)</b>                | <b>100,874</b>    |

A significant underspend has been forecast throughout the year and therefore it is comes as no surprise that there is a work being carried forward into 2020/21 across the capital programme.

This belies the success of this year with significant progress being achieved throughout the General Fund Capital programme during 2019/20, with several major projects reaching completion:

- The Event Complex Aberdeen (TECA) opened to the public and began a programme of events in summer 2019, alongside the completed Hotels and Energy Centre.
- The City Centre Masterplan continued to invest in Aberdeen; Aberdeen Art Gallery re-opened to the public in November 2019 to widespread acclaim of the refurbishment; contractors have begun the regeneration of Union Terrace Gardens and the refurbishment of Provost Skene House; land assembly and enabling works have begun on the redevelopment of Queen Street
- The Council's Local Transport Strategy built on the benefits delivered from the opening of Aberdeen Western Peripheral Route in early 2019 by advancing design works for the South College Street and Berryden corridors, for improved connections to the City Centre
- Transport Connectivity also continued to be supported by investment in the City Region Deal for the Aberdeen Harbour Extension project at Bay of Nigg and the associated roads infrastructure.
- Digital Connectivity has also been enhanced through the City Region Deal by continued investment and expansion of the City's fibre network, alongside investment in Intelligent Street Lighting to compliment the investment in Street Lighting LED lanterns and replacement of corroded columns.
- The Council's Waste Strategy achieved a major milestone in August 2019 when construction began on the joint Energy from Waste facility, a project being carried out in collaboration with Aberdeenshire and Moray Councils
- The Council continued its commitment to its New Schools and Early Learning programmes; design works progressed on the £100 million investment in 4 new educational campuses, and construction works began on various sites across the city to deliver the expansion of Early Learning and Childcare
- The City's second Cruyff Court has opened beside Tullos Primary School.

The table above provides a summary of the forecast for the capital programme in 2019/20 and shows a significant level of slippage on the overall expenditure that had been anticipated this is primarily due to reprofiling of the programme to provide assurance to Council on the cost implications of progressing with four proposed new primary schools, the procurement process for the Union Terrace Gardens project and previously reported issues with regard to settling land claims in relation to the AWPR.

The impact on the funding of the Capital programme is that there was lower borrowing requirement in 2019/20.

Ongoing scrutiny and monitoring of the various Capital projects is in the revised Terms of Reference for the Capital Programme Committee and more detailed reporting are now included on its agenda.

The Covid-19 pandemic did not have a significant impact on the overall programme in 2019/20 as the Council's appointed contractors did not begin closing construction sites until the last week of March 2020, in response to guidelines issued by the Scottish Government. The long term impact on the programme will be assessed in 2020/21 in partnership with all the contractors involved.

## Housing Capital Programme

| As at 31 March 2020                             | Approved Budget<br>£'000 | Actual Expenditure<br>£'000 | Variance<br>£'000 |
|---|--------------------------|-----------------------------|-------------------|
| Compliant with the tolerable standard           | 2,527                    | 1,065                       | (1,462)           |
| Free from Serious Disrepair                     | 9,502                    | 5,644                       | (3,858)           |
| Energy Efficient                                | 8,733                    | 8,189                       | (544)             |
| Modern Facilities & Services                    | 2,589                    | 1,247                       | (1,342)           |
| Healthy Safe & Secure                           | 6,609                    | 4,507                       | (2,102)           |
| <i>Non Scottish Housing Quality Standards</i>   |                          |                             |                   |
| Community Plan & Local Outcome Improvement Plan | 5,800                    | 4,051                       | (1,749)           |
| Service Expenditure                             | 4,226                    | 596                         | (3,630)           |
| 2,000 New Homes Programme                       | 11,172                   | 26,632                      | 15,460            |
|   | <b>51,158</b>            | <b>51,931</b>               | <b>773</b>        |
| less 11% slippage                               | (4,398)                  | 0                           | 4,398             |
| <b>Net HRA Capital Programme</b>                | <b>46,760</b>            | <b>51,931</b>               | <b>5,171</b>      |

|                                     |                 |                 |                |
|-------------------------------------|-----------------|-----------------|----------------|
| <b>Capital Funding</b>              |                 |                 |                |
| Borrowing                           | (20,586)        | (19,840)        | 746            |
| Grant Funding                       | 0               | (1,594)         | (1,594)        |
| Capital Funded from Current Revenue | (26,174)        | (30,496)        | (4,322)        |
| <b>Total HRA Capital Funding</b>    | <b>(46,760)</b> | <b>(51,930)</b> | <b>(5,170)</b> |

The Housing Capital Programme is a significant undertaking and expenditure of over £50m underpins the continued investment in the Council housing that ensures our assets are being brought up to Scottish Housing Quality Standards. The programme has been enhanced further as the work commenced on the new Council house build programme during the year.

All of the additional spend reported this year is due to the implementation of the 2,000 new homes programme. This programme includes developer led projects such as the Wellheads site in Dyce, Council led projects such as Summerhill, and buying properties, either former Council Homes or specific units, such as 206 Union Street.

The funding to pay for the additional spend has come from increased revenue contributions and grant funding.

## Common Good

| As at 31 March 2020  | Full Year<br>Budget<br>2019/20<br>£'000 | Actual<br>Expenditure<br>£'000 | Variance from<br>Budget<br>£'000 |
|--|---|--------------------------------|----------------------------------|
| Recurring Expenditure  | 2,844                                   | 2,370                          | (474)                            |
| Recurring Income   | (3,678)                                 | (3,425)                        | 253                              |
| <b>Budget After Recurring Items</b>                                      | <b>(834)</b>                            | <b>(1,055)</b>                 | <b>(221)</b>                     |
| Non Recurring Expenditure  | 3,246                                   | 3,264                          | 18                               |
| Non Recurring Income   | 0                                       | 0                              | 0                                |
| <b>Net Expenditure</b>   | <b>2,412</b>                            | <b>2,209</b>                   | <b>(203)</b>                     |
|  |   |                                |                                  |
| <b>Cash Balances as at 1 April 2019</b>                                  | <b>(29,729)</b>                         | <b>(29,729)</b>                | <b>0</b>                         |
| Net Expenditure from Income & Expenditure                                | 2,412                                   | 2,209                          | (203)                            |
| Net Capital Receipt  | 0                                       | (2,779)                        | (2,799)                          |
| Amounts required for increase in cash<br>balances in line with inflation | 369                                     | 0                              | (369)                            |
| <b>Cash Balances as at 31 March 2020</b>                                 | <b>(26,948)</b>                         | <b>(30,299)</b>                | <b>(2,758)</b>                   |

The Common Good Fund is showing a £200k favourable variance at 31 March 2020. The main variances relating to this overall underspend were on the one hand, as a result of an decrease in property income following rent review, income received in 2018/19 (£400k) and an increase in investment income (£105k).

Mitigating that reduction in income, there were savings that the Common Good achieved from budgeted spend, specifically in relation to the costs of Christmas illuminations and festivals (£130k) and in grants approved for projects such as Twinning activities (£108k), and events such as the Great Aberdeen Run (£65k).

Expenditure on a range of one-off projects and activities approved will either be carried forward as an earmarked reserve to enable works to continue in the next year or was an additional cost for the Common Good in the year.

## Reserves

| General Fund<br>Earmarked Reserves           | Balance at<br>31 March<br>2019<br>£'000 | Transfers In<br>2019/20<br>£'000 | Transfers<br>Out<br>2019/20<br>£'000 | Balance at<br>31 March<br>2020<br>£'000 |
|--|---|----------------------------------|--------------------------------------|---|
| Devolved Education M'ment (Comm. Centres)    | (542)                                   | 0                                | 0                                    | (542)                                   |
| Devolved Education M'ment (School Funds)     | (262)                                   | 0                                | 138                                  | (124)                                   |
| Mithier Kirk - Reburial of Remains           | (25)                                    | 0                                | 25                                   | 0                                       |
| Star Awards Sponsorship                      | (6)                                     | (6)                              | 6                                    | (6)                                     |
| Xerox Print Contract                         | (13)                                    | 0                                | 13                                   | 0                                       |
| Energy Efficiency Fund                       | (1,146)                                 | (108)                            | 0                                    | (1,254)                                 |
| Bus Lane Enforcement                         | (788)                                   | 0                                | 415                                  | (373)                                   |
| Property Transfer                            | (102)                                   | 0                                | 0                                    | (102)                                   |
| Second/Long Term Empty Homes                 | (10,464)                                | (2,272)                          | 0                                    | (12,736)                                |
| HMT Roof Works                               | (35)                                    | 0                                | 35                                   | 0                                       |
| Developing Young Workforce                   | (90)                                    | 0                                | 90                                   | 0                                       |
| De-risk the Council                          | (405)                                   | (1,406)                          | 0                                    | (1,811)                                 |
| Transformation Fund                          | (7,003)                                 | 0                                | 3,548                                | (3,455)                                 |
| Pupil Equity Fund                            | (1,195)                                 | (925)                            | 1,195                                | (925)                                   |
| 18/19 RSG Redetermination                    | (1,211)                                 | 0                                | 1,211                                | 0                                       |
| Community Justice Redesign Post              | (12)                                    | 0                                | 0                                    | (12)                                    |
| Upgrade Road At Torry Battery                | (101)                                   | 0                                | 0                                    | (101)                                   |
| Skene St Play Park Upgrade                   | (2)                                     | 0                                | 2                                    | 0                                       |
| Milltimber PG Outdoor Forest                 | (1)                                     | 0                                | 1                                    | 0                                       |
| Youth Bus Torry Comm Centre                  | (20)                                    | 0                                | 20                                   | 0                                       |
| Boiler Ferryhill Comm Centre                 | (14)                                    | 0                                | 14                                   | 0                                       |
| Legal Costs-Culter House Est                 | (5)                                     | 0                                | 5                                    | 0                                       |
| Various Projects 2019/20                     | (1,231)                                 | 0                                | 1,231                                | 0                                       |
| Contribution to Environmental Body           | (43)                                    | 0                                | 0                                    | (43)                                    |
| Repairs & Maintenance Fund                   | 0                                       | (900)                            | 0                                    | (900)                                   |
| Public Analyst - James Hutton Institute      | 0                                       | (125)                            | 0                                    | (125)                                   |
| Children's Social Work - Mental Health Svs   | 0                                       | (63)                             | 0                                    | (63)                                    |
| Rapid Rehousing Transition Plan              | 0                                       | (311)                            | 0                                    | (311)                                   |
| Additional Support for Learning              | 0                                       | (507)                            | 0                                    | (507)                                   |
| <b>Total General Fund Earmarked Reserves</b> | <b>(24,716)</b>                         | <b>(6,623)</b>                   | <b>7,949</b>                         | <b>(23,390)</b>                         |
|  |   |                                  |                                      |   |
| <b>Total Uncommitted Balance</b>             | <b>(10,338)</b>                         | <b>(1,662)</b>                   | <b>0</b>                             | <b>(12,000)</b>                         |
|  |   |                                  |                                      |   |
| <b>Total General Fund</b>                    | <b>(35,054)</b>                         | <b>(8,285)</b>                   | <b>7,949</b>                         | <b>(35,390)</b>                         |
|  |   |                                  |                                      |   |
| <b>Recommended Uncommitted Balance</b>       | <b>(10,300)</b>                         |                                  |                                      | <b>(12,000)</b>                         |

| Housing Revenue Account Earmarked Reserves | Balance at 31 March 2019<br>£'000 | Transfers In 2019/20<br>£'000 | Transfers Out 2019/20<br>£,000 | Balance at 31 March 2020<br>£'000 |
|--|-----------------------------------|-------------------------------|--------------------------------|-----------------------------------|
| <i>Projects:</i>                           |                                   |                               |                                |                                   |
| Housing Repairs                            | (2,212)                           | (1,718)                       | 2,212                          | (1,718)                           |
| House Sales - Non right to buy             | (308)                             | 0                             | 0                              | (308)                             |
| <b>Total HRA Earmarked Reserves</b>        | <b>(2,520)</b>                    | <b>(1,718)</b>                | <b>2,212</b>                   | <b>(2,026)</b>                    |
| <b>Total Uncommitted Balance</b>           | <b>(9,788)</b>                    | <b>(994)</b>                  | <b>0</b>                       | <b>(10,782)</b>                   |
| <b>Total Housing Revenue Account</b>       | <b>(12,308)</b>                   | <b>(2,712)</b>                | <b>2,212</b>                   | <b>(12,808)</b>                   |
| <b>Recommended Uncommitted Balance</b>     | <b>(8,081)</b>                    |                               |                                | <b>(9,084)</b>                    |

| Common Good Earmarked Reserves              | Balance at 31 March 2019<br>£'000 | Transfers In 2019/20<br>£'000 | Transfers Out 2019/20<br>£'000 | Balance at 31 March 2020<br>£'000 |
|---|-----------------------------------|-------------------------------|--------------------------------|-----------------------------------|
| <i>Projects:</i>                            |                                   |                               |                                |                                   |
| Smithfield Farm - Roof repairs              | (18)                              | 0                             | 0                              | (18)                              |
| AWPR Drainage Issues for future issues      | (35)                              | 0                             | 0                              | (35)                              |
| Grove Nursery                               | (68)                              | 0                             | 0                              | (68)                              |
| APA - Music Hall Cleaning                   | (75)                              | 0                             | 35                             | (40)                              |
| March Stone Upkeep                          | (13)                              | 0                             | 0                              | (13)                              |
| Culter Playing Fields                       | (8)                               | 0                             | 0                              | (8)                               |
| Cricket Pitch at Stewarts Park              | (15)                              | 0                             | 0                              | (15)                              |
| Satrosphere Refurbishment                   | (11)                              | 0                             | 0                              | (11)                              |
| CPR Training                                | (5)                               | 0                             | 0                              | (5)                               |
| Festival - AIYF final 2 quarters grants     | (36)                              | 0                             | 31                             | (5)                               |
| Culter Community Council - Lovers Walk      | 0                                 | (3)                           | 0                              | (3)                               |
| Shakkin Bridge Project                      | 0                                 | (3)                           | 0                              | (3)                               |
| Ferryhill Railway Heritage                  | (1)                               | 0                             | 1                              | 0                                 |
| Castlegate Arts                             | 0                                 | 0                             | 0                              | 0                                 |
| Aberdeen Street Pastors                     | (5)                               | 0                             | 5                              | 0                                 |
| Property Repairs & Maintenance              | (6)                               | 0                             | 6                              | 0                                 |
| Lord Provost Portrait                       | (10)                              | 0                             | 10                             | 0                                 |
| DEP   | (2)                               | 0                             | 2                              | 0                                 |
| Cromwell Wall, Marischal Court Repairs      | (1)                               | 0                             | 1                              | 0                                 |
| Ten Feet Tall Theatre                       | (8)                               | 0                             | 8                              | 0                                 |
| <b>Total Common Good Earmarked Reserves</b> | <b>(316)</b>                      | <b>(6)</b>                    | <b>98</b>                      | <b>(224)</b>                      |
| <b>Total Uncommitted Balance</b>            | <b>(29,413)</b>                   | <b>(662)</b>                  | <b>0</b>                       | <b>(30,075)</b>                   |
| <b>Total Common Good</b>                    | <b>(29,729)</b>                   | <b>(668)</b>                  | <b>98</b>                      | <b>(30,299)</b>                   |
| <b>Recommended Uncommitted Balance</b>      | <b>(26,044)</b>                   |                               |                                | <b>(29,578)</b>                   |



## ABERDEEN CITY COUNCIL

|                           |                                   |
|---------------------------|-----------------------------------|
| <b>COMMITTEE</b>          | Urgent Business Committee         |
| <b>DATE</b>               | 6 May 2020                        |
| <b>EXEMPT</b>             | No                                |
| <b>CONFIDENTIAL</b>       | No                                |
| <b>REPORT TITLE</b>       | Unaudited Annual Accounts 2019/20 |
| <b>REPORT NUMBER</b>      | RES/20/080                        |
| <b>DIRECTOR</b>           | Steven Whyte                      |
| <b>CHIEF OFFICER</b>      | Jonathan Belford                  |
| <b>REPORT AUTHOR</b>      | Lesley Fullerton                  |
| <b>TERMS OF REFERENCE</b> | UBC 1                             |

### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Elected Members with an overview of the Council's 2019/20 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 2019/20 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)

It is recommended that the Committee: -

- 2.1 approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2019/20.
- 2.2 consider the Council's unaudited Annual Accounts 2019/20.
- 2.3 consider the unaudited Annual Accounts 2019/20 of the Council's registered charities.
- 2.4 note that following this meeting the Council's and the registered charities unaudited Annual Accounts will be finalised, signed and submitted to the Council's external auditors, KPMG, and Audit Scotland.

- 2.5 note that it is the intention that the Urgent Business Committee on 30 June 2020 will receive the Council's audited Annual Accounts for consideration and approval prior to their signature by the Chief Officer - Finance, Chief Executive and a Council Leader.
- 2.6 note that the Urgent Business Committee of 30 June 2020 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
- 2.7 note that the Urgent Business Committee on 30 June 2020 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 2019/20 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 Chief Officers, 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 Scheme of Governance defines 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.
- 3.10 Management Assurance has also been obtained from each Chief Officer and reviewed by the Corporate Management Team.
- 3.11 In undertaking a self-evaluation of the Council's effectiveness of its governance framework, several officers have reviewed the Local Code of Governance and drawn judgements on the extent to which the Council is effectively complying with the code. The Council became the first local authority in Scotland to be awarded the prestigious Governance Mark of Excellence by CIPFA in March 2020.
- 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.
- 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 2019/20.
- 3.14 In conclusion and in examining the evidence, the 2019/20 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 4 December 2019 Audit, Risk and Scrutiny committee received and noted the contents of a report, "Annual Accounts 2019/20 – Action Plan" which provided high level information and key dates in relation to the production of the 2019/20 Annual Accounts.
- 3.17 The key dates contained within the above report were: -

|                         |   |
|-------------------------|---|
| 31 March 2020           | End of the financial year 2019/20   |
| Jan – June 2020         | Information from Group Entities (including ALEO's)  |
| 17 April 2020           | Public Notice for the Public Inspection Period to be issued   |
| 05 May 2020             | Signing of the unaudited Annual Accounts by the Proper Officer  |
| 06 May 2020             | Audit, Risk and Scrutiny Committee to consider the unaudited Annual Accounts  |
| 06 May 2020             | Submission of the unaudited Annual Accounts to Auditors   |
| 11 May – 1 June 2020    | Public Inspection Period for the unaudited Annual Accounts  |
| 30 June 2020            | Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature   |
| 30 June 2020            | Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader  |
| 30 June 2020            | Statutory deadline for the Proper Officer to sign the unaudited Annual Accounts, submit to the Auditor and publish on the website                                     |
| 17 July 2020 (tbc)      | Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government (date to be confirmed)   |
| 30 September 2020       | Deadline for submission of the signed audited Annual Accounts to the Auditor  |
| 30 September 2020       | Audit Risk & Scrutiny Committee to consider the Auditor's Annual Report   |
| 30 September 2020 (tbc) | Deadline for submission of the audited WGA to the Scottish Government (date to be confirmed)  |
| 31 October 2020         | Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies |
| 31 December 2020        | 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 the Council from working to earlier dates and indeed the earlier completion of our Annual Accounts could be considered advanced 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 Audit, Risk and Scrutiny committee has received the accounts prior to submission to the auditor and this is seen as advanced 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.

- 3.20 As a result of the ongoing Covid -19 situation, the Council has cancelled normal committee meetings since March 2020 and has replaced them with Urgent Business Committee meetings to support the evolving requirements of the business. Therefore, the unaudited Accounts are now being presented to this Urgent Business Committee, and the Audited Annual Accounts will now be presented to the Urgent Business Committee on 30<sup>th</sup> June 2020.

### **Inspection and Audit of the Accounts**

- 3.21 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 2020. 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 11 May 2020 and end on 1 June 2020.
- 3.22 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.
- 3.23 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 the Urgent Business Committee on 30 June 2020. 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.
- 3.24 The audited Annual Accounts will also be presented to that meeting for consideration and approval for signature. Thereafter, the accounts will be signed by the Chief Officer - Finance, Chief Executive and a Council Leader. The signed accounts must be submitted to and signed by Audit Scotland no later than 30 September 2020.

### **Financial Performance and Review of the Accounts**

- 3.25 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.
- 3.26 A report covering the detailed financial position of the Council will be considered by this Urgent Business Committee. This report covers 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 2020.

- 3.27 Against total funding from Council Tax, Non-Domestic Rates and Revenue Support Grant of £457 million, the four core functions including surpluses from trading operations incurred net spend of £402 million, whilst the net spend on the corporate budgets, including capital financing costs, was £51 million.
- 3.28 The credit rating and LSE listing has brought several 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.
- 3.29 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 £156 million from March 2019 to a total of £1.132 billion at March 2020, reflecting an increase in long term assets of £108 million, and an increase in short term assets and pensions liabilities of £37 million and £142 million respectively. The corresponding decrease in reserves reflects a £158 million in unusable reserves and an increase of £2 million in usable reserves.
- 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 £3.6 million to £124.1 million at March 2020. 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.
- 3.34 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 £1.237 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**

- 3.35 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 £6.970 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.

3.36 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 30 June 2020 for approval prior to signature by the relevant officers and the Council Leader.

3.37 Thereafter, they will be submitted to OSCR, no later than 31 December 2020.

#### 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  |
|------------------|--|-------------------------------|---|
| <b>Financial</b> | External audit reveals errors &/or adjustments | L                             | Officers discuss with Auditors throughout external audit process.       |
| <b>Legal</b>     | Risk of Legislation not being followed         | L                             | Staff working with external audit to ensure compliance with legislation |
| <b>Employee</b>  | External audit reveals errors &/or adjustments | L                             | Officers discuss with Auditors throughout external audit process.       |

|                     |   |     |   |
|---------------------|---|-----|---|
| <b>Customer</b>     | Customer/relationship management  | L   | External Auditors will examine and scrutinise the Annual Accounts and report their findings in the Annual Audit Report. |
| <b>Environment</b>  | n/a   | n/a | n/a   |
| <b>Technology</b>   | Risk that the Finance systems could be disrupted  | L   | Digital strategy that includes regular and rigorous checks to protect the integrity of all systems.                     |
| <b>Reputational</b> | 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

| <b>Local Outcome Improvement Plan Themes</b> |  |
|--|--|
|  | <b>Impact of Report</b>  |
| <b>Prosperous Economy</b>                    | <p>The accounts for 2019/20 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> |
| <b>Prosperous People</b>                     | The Accounts for 2019/20 provide details of income and expenditure incurred in the provision of services in Aberdeen City for the year.  |
| <b>Prosperous Place</b>                      | 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.  |



## 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 2018/19

## 10. APPENDICES

Appendix A - Unaudited Annual Accounts 2019/20  
Appendix B - Aberdeen City Council Registered Charities Unaudited Annual Report and Accounts 2019/20

## 11. REPORT AUTHOR CONTACT DETAILS

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**UNAUDITED ANNUAL ACCOUNTS  
FOR THE PERIOD  
1 APRIL 2019 TO 31 MARCH 2020**

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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 2019/20 and understand our financial performance for the year to 31 March 2020. It also provides an insight into the medium-term financial planning we undertake to provide financial stability, to allow our customers to have confidence that we can continue to provide the diverse portfolio of services on which they rely. Our performance reporting and core financial statements for 2019/20 meet the requirements of the Council and of the London Stock Exchange (LSE), and provide financial transparency for citizens of the City and beyond. This is now the third year of our early close procedures to enable the unaudited Annual Accounts to be produced by the end of April 2020 and the audited Annual Accounts by the end of June 2020.

In the first quarter of 2020 a coronavirus outbreak (COVID-19) activated across the globe. This resulted in the United Kingdom and Scottish Governments imposing restrictions through guidance and law on the movement of people which came into full effect on 23 March 2020. The impact of this has led to a “shutdown” of virtually all economic activity within the UK and large-scale government financial intervention, some of which local government has been asked to administer. This has resulted in a significant level of increased economic uncertainty for Aberdeen City and the Council. The latest assessed implications have been incorporated, where possible, throughout the document.

This publication represents the Annual Accounts of both Aberdeen City Council (the Council) and its group for the year ended 31 March 2020, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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. The impact of the COVID-19 outbreak has been considered by the CIPFA-LASAAC Code Board in respect of any adjustments required to the Code and it was concluded full application of the 2019/20 Code would apply. In line with the UK’s Financial Conduct Authority, Scottish Ministers have advised that under provisions made in The Coronavirus (Scotland) Act 2020 each authority may determine its date of publishing the Annual Accounts up to 30 November 2020 – an extension of 2 months. The Council has determined that it wishes to continue to work to the previously planned timetable, however, recognises that there are concerns about the valuation of assets arising from the RICS guidance <https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/valuation-coronavirus/> that may lead to a modified audit opinion. The Council has also requested a review of pension fund figures which were prepared in February 2020 to ensure they could meet the annual account deadlines. As a result there may be a movement in pension fund figures between the draft and final annual accounts.

This situation is not unique to local authorities or the wider public sector. In a statement the Financial Conduct Authority (FCA), Financial Reporting Council (FRC) and Prudential Regulation Authority (PRA) “strongly encourage investors, lenders and other users of financial statements to take into account the unique set of circumstances arising from COVID-19 which might result in uncertainty in companies’ financial positions, potential delays in the provision of financial information, the need for auditors to undertake additional work to support their audit opinions and the increased use of modified audit opinions, including qualifications arising from scope limitations.” In preparing these Annual Accounts the Council continues to consider guidance and standards to ensure that they reflect the most practicably transparent information for users.

For the 2019/20 Annual Accounts, the requirements of the new IFRS 16 for Lease Accounting have been deferred for a further year. This standard would have replaced IAS 17 and removes the operating classification for leases, eliminating the ability for organisations to keep operating leases off balance sheet, by reporting them as a note to the accounts. With the new standard all leases would be considered finance leases unless they meet the specific exception criteria.

### Highlights

Aberdeen City Council is the main provider of services to the City’s 228,000 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, Environmental and Community Services, as well as supporting investment in the City’s infrastructure.

In 2019/20, the Operations Function was our largest spending responsibility, accounting for £249 million of our total £402 million net service expenditure. This Function provided Education and Integrated Children's Services to over 23,380 children at a cost of £197 million and Operational and Protective services including roads and waste collection services at a cost of £52 million. £89 million was invested in Adult Social Work services as part of the Integration Joint Board arrangement with NHS Grampian. £34 million was spent on our Customer Function that includes housing support and customer facing services. The balance of £30 million was spent on the Resources and Commissioning Functions and City Growth, Place Planning and Governance service clusters. £91 million was spent on Council Housing – managing and maintaining 21,935 homes.

In 2019/20, we received total income of £457 million, comprising £262 million and £123 million raised locally through non-domestic rates and council tax respectively, whilst £72 million was received from government grants, with the balance coming from service-related grants, fees, charges and other income.

In setting its 2019/20 General Fund (GF) budget, against a backdrop of reducing revenue grant, £41.2 million of budget savings and increased income targets were approved; in addition, council tax was increased by 4.5% raising additional revenue of £5.2m. The savings were primarily proposed to be achieved by changes to the level or approach to service delivery of £17.9m, savings from contract spending and grant funding of £9.3m, increased fees and charges of £3.2m and other and one off savings of £5.6 million. Substantially these savings were achieved, and governance was put in place to track the savings and mitigate and offset risk areas.

The final out-turn position was a small budget surplus (£0.8 million), after taking into account group accounting adjustments and movements in reserves.

The Council introduced a revised reserves policy in March 2019. Usable revenue reserves stood at £60 million at 31 March 2020, and increase of £1.5 million on the previous year.

Significant progress has been achieved on capital projects during 2019/20 with a total investment of £158 million including:

- Construction works are completed on The Event Complex Aberdeen (TECA), which opened hosting several high-profile concerts, alongside the completed Hotels and Energy Centre. The final piece of infrastructure, the Anaerobic Digestion Gas to Grid (AD plant), will complete the complex in 2020.
- The City Centre Masterplan continues to invest in Aberdeen; Aberdeen Art Gallery re-opened to the public in November 2019 to widespread acclaim of the refurbishment; contractors have begun the regeneration of Union Terrace Gardens and the refurbishment of Provost Skene House; land assembly and enabling works have begun on the redevelopment of Queen Street.
- The Council's Local Transport Strategy advanced design works for the South College Street and Berryden corridors, for improved connections to the City Centre.
- There is continued investment in the City Region Deal for the Aberdeen Harbour Extension project at Bay of Nigg and the associated roads infrastructure.
- Digital Connectivity has also been enhanced through the City Region Deal by continued investment and expansion of the City's fibre network, alongside investment in Intelligent Street Lighting to compliment the investment in Street Lighting LED lanterns.
- Construction continued on the joint Ness Energy from Waste facility, a project being carried out in collaboration with Aberdeenshire and Moray Councils.
- The Council continued its commitment to its New Schools and Early Learning programmes; design works progressed on the £100 million investment in 4 new educational campuses, and construction works began on various sites across the city to deliver the expansion of Early Learning and Childcare.

The annual review of our credit rating was undertaken during the year, with the rating affirmed in November 2019 at Aa3 with outlook reduced from stable to negative, in line with the recent change to the UK's rating.

## The Council and Our Plans and Performance

- **Who we are** - We are one of 32 Councils in Scotland. We have 8,803 employees and their commitment, professional approach and 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.
- **What we do** - 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.
- **Our goals and plans** - 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 are available to view on the Council's website as detailed.

- [Council Delivery Plan 2020/21](#)

On 3 March 2020 the Council Delivery Plan 2020/21 was approved. Full details can be viewed at the Council's website in Committee reports for the Council meeting in March 2020. The plan continues to build on the achievement of the council vision:

### *A place where all people can prosper*

The plan summarises key deliverables under the headings:

- Our business for the year
- How we do our business and
- How we behave as an organisation

The 'Performance Management' section of the plan explains how we will monitor and track progress to ensure successful delivery.

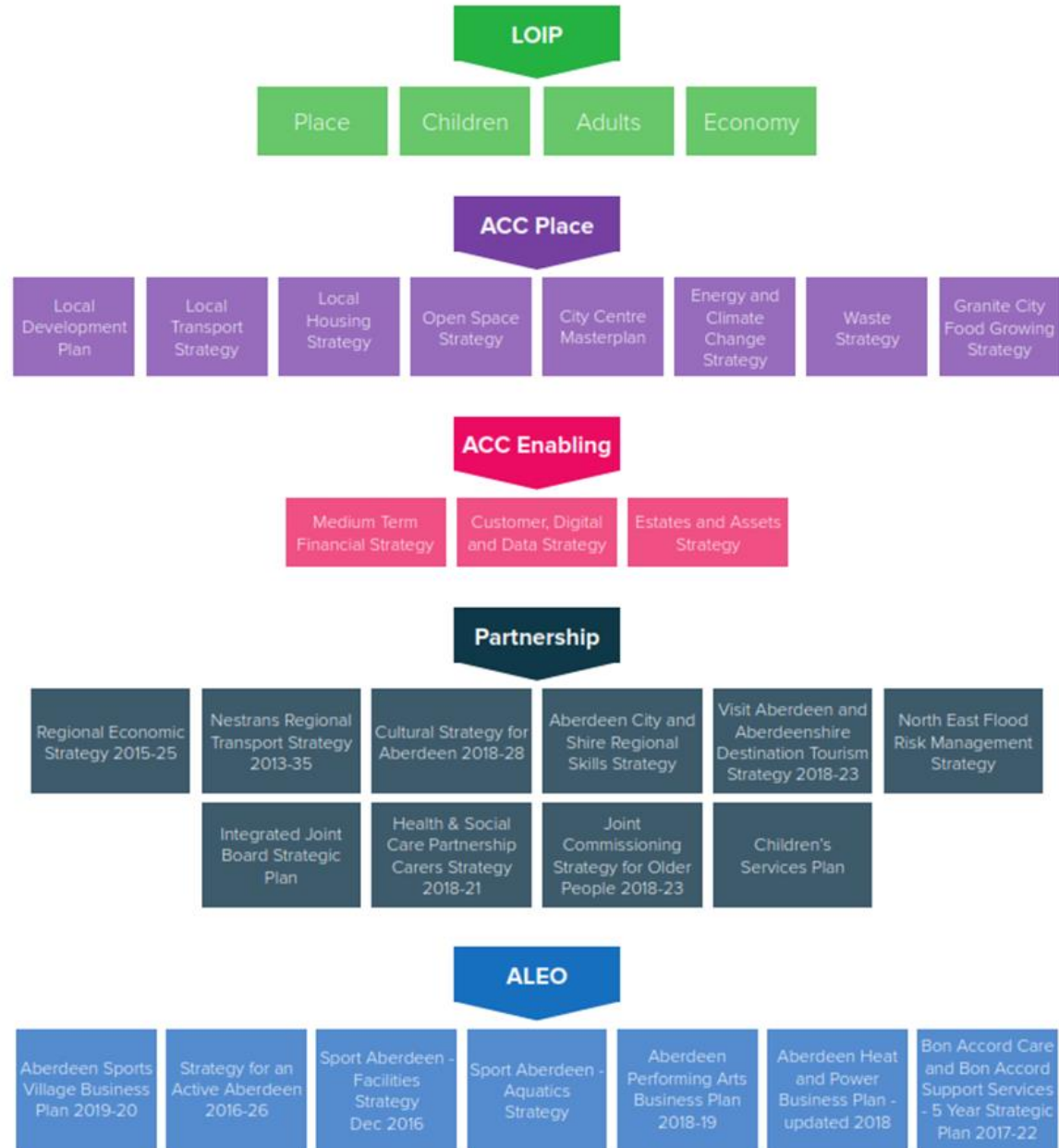
The Delivery Plan is aligned to further key documents below:

- [Local Outcomes 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 was refreshed in 2019 and approved by the CPP on 26 February 2019. The LOIP can be viewed on the website of Community Planning Aberdeen.

- [Strategy Framework](#)

On 21 November 2019 the Strategic Commissioning Committee approved the commissioning of strategies as set out in the table on the next page. These strategies aim to set out the Council's contribution to the delivery of LOIP outcomes. Full details can be viewed at the ACC website in Committee Reporting for Strategic Commissioning Committee on 21 November 2019.





- [Policy Statement](#)

Approved in August 2017, providing the Administrations vision, Stronger Together – Prosperity for Aberdeen 2017-2022. Full details can be viewed at the Council's website in Committee reports for the Council meeting in August 2017. An update on the Policy Statement is provided in the Council Delivery Plan 2020/21.

- [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 Scheme of Governance was further refreshed on 4 March 2019 and 2 March 2020. The key documents can be found at the Council website in Committee reports for the Council meeting in August and December 2017, March 2018, March 2019 and March 2020.

We are now entering the final phase of the transformation portfolio. The final phase has been designed to fully implement the transformation objectives by 2020/21. The remaining projects and their deliverables are set out in the Council's Delivery Plan 2020/21.

The projects are achieved through seven capabilities, with digital as a key enabler to support their delivery:

1. Managing demand through prevention and early intervention
2. Being flexible and adaptable
3. Ensuring accountability, transparency and openness
4. Becoming intelligence led
5. Encouraging inclusiveness, engagement and collaboration
6. Achieving consolidation and consistency
7. Focusing on outcomes that make a difference

- [Our Commissioning Approach](#)

2019/20 saw significant progress in the Council's implementation of a commissioning approach to service planning and delivery.

The Strategic Commissioning Committee initially approved the Council's approach to outcome-based commissioning on 20 November 2018. Building on this, the Committee subsequently reviewed the implementation of the approach and approved a joint strategic commissioning approach for both the Council and Aberdeen Integrated Joint Board on 29<sup>th</sup> August 2019. The approved strategic commissioning approach has provided the basis for the development of the Council's planning and budgeting in 2020/21.

- [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 on the Council's website in Committee Reports for the Council meetings on 16 December 2015. Details of the updated action plan for 2018-2023 can be viewed in Committee Reports for the City Growth and Resources Committee on 19th June 2018.

- [COVID-19 Response Plans](#)

At the Urgent Business Committee on 20 March 2020, arrangements for Governance were put in place to enable decision making in the light of the COVID-19 pandemic. This can be found on the ACC website at Committee Reporting for Urgent Business Committee on 20 March 2020.

Officers have established terms of reference for the response workstreams of Critical Services, Financial Resilience, Digital Resilience, Workforce Protection and Planning, Governance, Business Resilience, Care for People and Supply Chain. These workstreams report to an Incident Management Team of Chief Officers and Strategic Corporate Management Team for COVID-19 Response.

- **Legislative duties**

The Council Delivery Plan set out in the table below as at early March 2020 new legislation that may impact the Council directly during 2020/21. After that review of legislation the Coronavirus (Scotland) Act 2020 was given royal assent on 6<sup>th</sup> April 2020 and sets out emergency powers including protection of renters and debtors, modifications in relation to the role of public bodies, modifications in relation to criminal justice and alcohol licencing and a range of other provisions. An impact assessment of the Coronavirus (Scotland) Act 2020 has been undertaken to assure that the Council is appropriately responding to the new requirements and powers.

| PEOPLE<br>(Children)   | PEOPLE<br>(Adults)  | PLACE   |
|--|---|---|
| <ol style="list-style-type: none"> <li>1. The Head Teachers Education and Training Standards (Scotland) Regulations 2019</li> <li>2. The Children and Young People (Scotland) Act 2014 (Modification) (No. 2) Order 2019</li> <li>3. Female Genital Mutilation (Protection and Guidance) (Scotland) Bill</li> <li>4. Children (Scotland) Bill</li> </ol> | <ol style="list-style-type: none"> <li>1. Tobacco Products Directive (2014/40/EU) – end of transitional period for menthol cigarettes. Implemented in the UK by the The Tobacco and Related Products Regulations 2016</li> <li>2. Social Security (Scotland) Act 2018</li> <li>3. Scottish Biometrics Commissioner Bill</li> <li>4. Defamation and Malicious Publications (Scotland) Bill</li> <li>5. Amendment of the Food Additives, Flavourings, Enzymes and Extraction Solvents (Scotland) Regulations 2013</li> <li>6. Disclosure (Scotland) Bill</li> <li>7. Consumer Scotland Bill</li> <li>8. Civil Partnership (Scotland) Bill</li> <li>9. Scottish Elections (Reform) Bill</li> <li>10. Scottish Elections (Franchise and Representation) Bill</li> <li>11. Period Products (Free Provision) (Scotland) Bill</li> </ol> | <ol style="list-style-type: none"> <li>1. Planning (Scotland) Act 2019</li> <li>2. Animals and Wildlife (Penalties, Protections and Powers) (Scotland) Bill</li> <li>3. The Electronic Invoicing (Public Contracts etc.) Amendment (Scotland) Regulations 2019</li> <li>4. The Housing (Scotland) Act 1987 (Tolerable Standard) (Extension of Criteria) Order 2019</li> <li>5. Non-Domestic Rates (Scotland) Bill</li> <li>6. Revised statutory Code of Conduct under section 14 of Property Factors (Scotland) Act 2011</li> <li>7. Local Connection and Intentionality Provisions in the Homelessness etc. (Scotland) Act 2003</li> </ol> |

### 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. During 2019/20, under the responsibility of our Staff Governance Committee, we have continued at a pace to strengthen the behavioural framework and guiding principles established in March 2019. The ACC Workforce Plan was developed and approved and the Capability Framework was developed covering the transferable knowledge, skills and behaviours required of all staff at all levels of the organisation. A new approach to Continuous Review and Development was launched – embedding the guiding principles and capability framework. A Leadership Forum and Learning Academy were launched and Phase 1 of the Leadership Development Programme delivered. ACC met the requirements for Year 1 of our Mental Health Action Plan.

### 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 (KPI). During 2019/20 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 opportunity 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. Full details can be viewed on the Council Website in Committee Reports for the Aberdeen City Region Deal Joint Committee. Further information is available including the 2019 Annual Report on the City Region Deal Website at [Abzdeal.com](http://Abzdeal.com)

The exit of the United Kingdom from the European Union occurred on 31 January 2020. The potential impact was closely monitored up to the date of exit and will continue to be monitored over the transition period which extended from 31 December 2020, and afterwards when the new rules will apply. The Council receives its local authority grant funding from the Scottish Government; this is not connected to the European Union. At this stage there is no indication that either the UK or Scottish Parliaments intend to confer any new duties on local authorities in Scotland as part of the process. This matter will continue to be monitored closely by the Council, with risk registers regularly reviewed and updated.

The Council has a number of Arm's Length External Organisations (ALEOs), a number of which form part of our group and are reflected in the group accounts on pages 138 to 156. Significant investment is made in ALEOs 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 ALEOs is embedded in the Council's culture.

## 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 its Statutory Direction on Performance Reporting.

## Financial Performance

- [Balance Sheet](#)

The Balance Sheet on page 44 shows Net Assets of £1,132 million as at 31 March 2020 (£1,289 million at 31 March 2019), a reduction of £157 million. Long Term Assets have increased by £107 million (from £2,808 million at 31 March 2019), reflecting additions of £206 million to Property, Plant & Equipment (PPE), revaluation decreases of £51 million to the value of PPE, Heritage Assets and Investment Properties, disposals of £4 million and depreciation of £72 million. Short Term Assets have increased by £37 million from the previous year, reflecting increases in Cash & Cash Equivalents (£31million), Short Term Investments (£5 million) and Debtors (£3 million). Current Liabilities have increased by £37 million from the previous year, in Short Term Borrowing from other local authorities (£16 million), Short term Creditors (£14 million) and Grants Received in Advance (£12 million). Long term liabilities have increased by £265 million, mainly due to an increase in Long Term Borrowing and pension liabilities.

Every effort has been made to reflect the value of Long Term Assets as at 31 March 2020, however the timing and impact of the Covid-19 means there is an increased level of uncertainty that may affect valuations, as referred to in RICS guidance, mentioned above.

Future liabilities, anticipated as a result of past events, 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 35 and 36 on pages 105 – 106.

Total debt outstanding amounts to £1,198 million (2019 £1,056 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. Borrowing predominantly supports the capital investment programmes but is also used in cashflow management.

- [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.

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.

The requirement to retain and manage financial reserves is a critical element of robust financial management and has a basis in statute. In setting its budget the Council must take cognisance of this strategy. A revised Reserves Policy was approved by Council on 5 March 2019, and again on 3 March 2020 and details can be found in the Committee Papers of this date. Our reserves are detailed in Notes 5 and 6 on pages 64 to 66.

- [Treasury](#)

The annual review of the Council's credit rating was undertaken in November 2019 and affirmed at Aa3 with the outlook reduced to negative from stable in line with the recent change to the UK's rating. 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 review followed the initial awarding of a credit rating in 2016, in advance of the successful £370million bond issuance on the London Stock Exchange.

The Council's Treasury Management Strategy for 2019/20 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 the ACC website in Committee Reporting for Council Meeting on 4 March 2019.

- [Revenue](#)

During 2019/20, the Council set a net revenue expenditure budget of £526 million (being £439 million on the General Fund and £87 million on the Housing Revenue Account. The performance during the year resulted in a surplus of £2.2 million (represented by £1.7 million on the General Fund and £0.5 million on the Housing Revenue Account). This reflects the service performance after year-end adjustments, such as the use of reserves and statutory funds, but excludes statutory accounting adjustments such as revaluations, depreciation and IAS 19 adjustments and can be reconciled to the Expenditure and Funding Analysis (EFA) on page 69 and the Comprehensive Income and Expenditure Statement (CIES) on page 43 as follows:

| Financial Performance 2019/20                               | Quarter 4<br>Final<br>Position<br>£'000 | Transfers<br>between<br>funds &<br>other<br>adjustments<br>£'000 | (Surplus)/<br>Deficit per<br>EFA<br>£'000 | Other<br>Adjustments<br>£'000 | Statutory<br>Adjustments<br>£'000 | (Surplus)/<br>Deficit per<br>CIES<br>£'000 |
|---|---|--|---|-------------------------------|-----------------------------------|--|
| General Fund  | (1,662)                                 | 10,537   | 8,875                                     | (4,561)                       | 62,396                            | 66,711                                     |
| Housing Revenue Account                                     | (500)                                   | (7,247)  | (7,747)                                   | (32,060)                      | 64,480                            | 24,673                                     |
| <b>(Surplus) /Deficit on provision of services</b>          | <b>(2,162)</b>                          | <b>3,291</b>   | <b>1,129</b>                              | <b>(36,622)</b>               | <b>126,876</b>                    | <b>91,383</b>                              |
| Other Comprehensive Income and Expenditure                  |   |  |   |                               |                                   | 65,150                                     |
| <b>Total Comprehensive Income &amp; Expenditure Surplus</b> | <b>(2,162)</b>                          | <b>3,291</b>   | <b>1,129</b>                              | <b>(36,622)</b>               | <b>126,876</b>                    | <b>156,533</b>                             |

- [Capital](#)

The Capital budget for the period 2019/20 to 2023/24 was set at £657 million (General Fund £503 million, Housing £154 million). Capital expenditure during the year was £210m, with around a quarter of this for spend on Housing. The capital programmes in 2020/21 were financed by capital grants (£30 million), borrowing (£133 million), revenue contributions from the Housing Revenue Account (£31 million) and other grant income / contributions (£16 million).

- [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 £3,274 million. This is an increase against the total assets of the Council, which are £3,167 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 2018/19. Details can be seen on page 136.

- [Common Good](#)

The Common Good recorded an operating deficit of £2.2 million due to the approved use of cash balances in the 2019/20 budget to fund Sport Aberdeen to the value of £2.8 million. As this was one-off, then an underlying surplus of £0.6 million was achieved and cash balances were increased at the year end because of a capital receipt.

The above surplus is before revaluation of assets and other accounting adjustments are applied. The value of the Common Good is £124.1 million at 31 March 2020, an increase of £3.6 million from last year, reflecting movements in the value of assets to reflect current market conditions. Due to the same uncertainty referred to above for the Council Balance Sheet, the Long Term Asset valuations have an increased level of uncertainty. Further details on the Common Good can be seen at pages 130 to 133.

- [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 2020 was £10.2 million, a small decrease of £0.4 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 133 to 135.

## Outlook including Risks and Uncertainties

- [Impact of COVID-19](#)

The impact of the COVID-19 outbreak brings risk and uncertainty globally. Currently, predicting the impact for the national and local economy is extremely uncertain. A timely and relevant local assessment is to be found in 'State of the Economy: April 2020' published by Dr Gary Gillespie, Chief Economist to the Scottish Government on 21 April 2020. This report summarises recent developments in the global, UK and Scottish economies and provides an analysis of the performance of, and outlook for, the Scottish economy. It quotes:

'We have already seen significant impacts on the functioning of the global economy through substantial volatility and disruption to financial markets and international supply chains while at a domestic level, businesses and households are facing significant negative impacts on incomes and cashflow resulting from a collapse in demand amid restrictions on economic activity.'

The Council recognises the economic challenges it operates within. It delivers a wider range of enabling services (transport / roads, housing, planning and education) that are crucial to the functioning of the North East of Scotland as a competitive business, investment and visitor destination. The city is home to 11,000 'businesses' (including public administration), supporting around 189,000 jobs and generates an estimated £258 million in non-domestic rates.

The overall economic impact is already significant, but will hopefully be temporary, and is required to support the public health effort. The economic policy response to the pandemic has seen unprecedented levels of support to business, households and individuals during a period in which they are required to be economically inactive. It has seen a combination of fiscal, monetary and macro-prudential measures put in place that exceed those from the financial crisis.

The nature, timing and scale of the economic recovery will depend on the success of measures to contain the pandemic in Scotland, the UK and in our key trading partners. It will also depend on the pace and timing of the global economic recovery and international policies in place (e.g. travel restrictions and social distancing) that could continue to impact economic activity in Scotland through trade and foreign direct investment.”

The full document can be found at: <https://www.gov.scot/publications/state-economy-april-2020/>

- [Aberdeen Economy](#)

Aberdeen is at the heart of one of the most prosperous regions in the UK outside of London. Economic activity in Aberdeen and the North East is high due to a host of factors including the Oil and Gas Sector. Gross value added (GVA), productivity, disposable income levels, house prices and commercial property returns are significantly higher than Scotland and UK averages. This is an export-led economy with its export share considerably higher than its GVA share demonstrating the international reach of the city region.

The diversity of the economy provides significant opportunities for investment and business growth 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. The UK offshore oil and gas industry currently supports more than 280,000 jobs, a rise of 1% since 2018 and the first rise since the 2013 peak of more than 460,000 jobs. Most of these jobs are highly skilled and well paid. There had been a limited recovery in the oil price from its historic low in January 2016, which enabled the sector in Aberdeen to refocus and look to the future. The sector is now assessing the wider impact COVID-19 is having on the world economy and the resulting reduced price of oil.

The Council recognises the economic challenges it operates within. It delivers a wider range of enabling services (transport / roads, housing, planning and education) that are crucial to the functioning of the North East of Scotland as a competitive business, investment and visitor destination. The city is home to 11,625 ‘businesses’ (including public administration), supporting around 191,700 jobs and generates an estimated £250 million in non-domestic rates.

The population is still projected to grow over the next 35 years and this has informed the preparation of the statutory Aberdeen City and Shire Strategic Development Plan for the region, and Aberdeen Local Development Plan for the city. The annual Housing Land Audit (a joint Aberdeen City and Aberdeenshire Council report) is prepared using data provided by developers. In the 2020 Audit for the Aberdeen City area, which due to the Pandemic is yet to be finalized, an anticipated projection of housing completions totaling 9,057 units up to the year 2026 is shown (2020-2026). These figures will be impacted by the current Pandemic Lockdown, the outcome of which will not be known for some time. These units will vary in size and type depending on where they are built. The Proposed Strategic Development Plan (2019) has calculated a Housing Supply Target of 17,702 units beyond the year 2025 (2026-2040).

This will obviously increase demand 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 business and income base and further strengthen Aberdeen’s position as an economic anchor in the wider UK. 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 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. The Council's investment in its capital programme directly supports the investment in new assets that support the diversification of the city region economy, including tourism, events, leisure and culture, and the delivery of the City Region Deal commitments on roads, harbour and digital infrastructure.

### 2020/21 Budget and Medium Term Financial Outlook

The Council set its 2020/21 General Fund revenue budget, Housing Revenue Account, Common Good and five-year capital budgets on 3 March 2020. The 2020/21 General Fund budget presented proposals to address a significant gap of £37.9 million to Elected Members that reduced to £34.6m after additional funding was announced on 27 February 2020 by Scottish Government.

The gap is proposed to be met by redesign of Council services to address demand, in line with a commissioning led approach as described in the report. Operations Function contributed most to our savings proposals from their redesign - Education and Integrated Children's Services contributed £9.5m and Operational and Protective services £2.1m. £6.9m was contributed by Social Work services as part of the Integration Joint Board arrangement with NHS Grampian. £4.3m was contributed by our Customer Function that includes housing support and customer service. The balance of £6.9m was met by the Resources and Commissioning Functions and City Growth, Place Planning and Governance service clusters, £4.9 million is proposed to be raised by increasing Council Tax by 4%. The budget report and minute sets out the detailed proposals, risks and assumptions behind the future financial proposals. This can be found on the ACC website at Committee Reporting for Council meeting on 3 March 2020.

After the COVID-19 outbreak began, a Financial Resilience paper was presented to Urgent Business Committee on 20<sup>th</sup> March 2020. This described the initial financial measures that the Council is putting in place to support the resilience of the city, by supporting the financial resilience of the cities businesses as well as individuals, citizens and families. This instructed the Chief Officer – Finance to implement several measures to mitigate the impact of the pandemic on the City. It instructed the Chief Executive, through the CMT Strategic Group, to monitor the development of, and the actions arising out of the financial resilience plan, and the Chief Officer – Finance to report as appropriate to the Urgent Business Committee.

Further to that report an impact assessment of the financial implications of the pandemic is to be presented to Urgent Business Committee on 6<sup>th</sup> May 2020. This sets out planning assumptions for a range of potential scenarios ranging from a best-case impact of £31m-£35m negative financial pressure on the council to a worst-case of £98m-£113m. The recommendation is to instruct the Chief Officer - Finance to report back to a meeting of the Urgent Business Committee on 30 June 2020 with proposals to ensure the Council maintains a balanced budget position, which will include a review of the Council's commissioning intentions and service standards.

In early assessment and scenario planning of the impact of the COVID-19 outbreak and through the Governance arrangements described above, the Council plans to put robust measures in place to continue to exhibit strong financial management of its financial affairs and evidence our ability to continue as a going concern.

- Risks and Uncertainties

The corporate risk register and assurance map were presented to the Audit, Risk and Scrutiny Committee on 25 September 2019. The key risks to the Council along with risk owners and mitigating actions are set out in this document. It can be found on the ACC website in Committee Reporting for the above committee.



The council operates a risk management policy and strategy which identifies risks affecting the council, aligned to the strategic plan objectives. A new Risk Management Policy that superseded the previous Risk Management Framework was approved by the Audit Risk and Scrutiny Committee in December 2019. It can be found on the ACC website in Committee Reporting for the above committee.

In response to the COVID-19 outbreak, a strategic and operational risk register are updated weekly.

### Conclusion

The Council continues to maintain a healthy credit rating of Aa3 with a negative 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 2019/20 financial year results showed a surplus of £2.2 million for the year across all Council accounts. This shows another strong performance over the year and demonstrates longer term stability in service delivery going forward.

The impact of the COVID-19 outbreak brings global economic insecurities and specific uncertainties for the City of Aberdeen and the Council. Through our Council governance arrangement for responding to the emergency, and specific financial resilience plans we aim to manage and mitigate risks in a robust way to protect the sustainability of Council finances.

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 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 2019/20 Annual Accounts to timescales during a significant period of disruption resulting from the impact of the COVID-19 outbreak.

Jonathan Belford, CPFA  
Chief Officer - Finance  
6 May 2020

Angela Scott  
Chief Executive

Councillor Douglas Lumsden  
Co-Leader of the Council

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## 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 Chief Officer - Finance;
- 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

6 May 2020

### The Chief Officer – 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;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the Council will continue in operational existence for the foreseeable future; and
- maintained such internal control as determined is necessary to enable the preparation of financial statements that are free from misstatement whether due to fraud or error.

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 2020.

Jonathan Belford, CPFA

Chief Officer - Finance

6 May 2020

## Annual Governance Statement

### PURPOSE OF 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:

- |                  |  |
|------------------|--|
| <b>Section 1</b> | An acknowledgement of our responsibility to ensure that there is a sound system of governance in place.  |
| <b>Section 2</b> | 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. |
| <b>Section 3</b> | A commitment to monitoring implementation as part of the next annual review.   |
| <b>Section 4</b> | An action plan to deal with Significant Governance Issues.   |
| <b>Section 5</b> | 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 2020 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 outcomes, given the crucial role of governance, performance management and risk management 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 outcomes;
- 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 and effectiveness will be considered by the committee and referred to Council for its consideration. This demonstrates 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. The Code cites the primary sources of assurance against each principle which demonstrate the effectiveness of our systems of internal control.

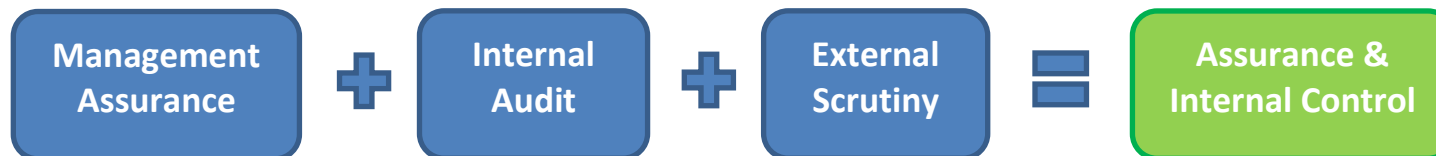
- Principle A** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Principle B** Ensuring openness and comprehensive stakeholder engagement
- Principle C** Defining outcomes in terms of sustainable economic, social and environmental benefits
- 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 in respect of the organisations which form part of its Group are vitally important. 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 approached 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 Chief Officer – Finance. No significant internal control issues have been identified.

Governance sources of assurance and activity over the year is summarised in Table A below. This has been reviewed by each Chief Officer with reference to their own portfolios.

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 Corporate Management Team. For 2019/20, 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 other 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 City Growth and Resources Committee.

During 2019/20 the Council undertook its agreed annual review of the Scheme of Governance, having monitored its use continuously during the year. The annual review is a structured process which considers how the Scheme has operated. Using a collaborative approach, feedback is sought from Members and officers in respect of any improvements that may be required. Consideration is also given to data from the committee annual effectiveness reports, particularly whether all the Committee Terms of Reference have been utilised throughout the year, as if not, this may mean that a review of the Terms of Reference is required. As a result of the annual review, further amendments were made to the Scheme to help ensure that the Council's governance arrangements remain effective.

Following the introduction of a governance structure to support delivery of the Target Operating Model (TOM), the Council approved a final organisational structure in March 2020 including the alignment of Business Intelligence & Performance Management to Customer, and of Governance, Strategic Place Planning and City Growth to Commissioning.

Below is information specific to the Council's group structure:

#### **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 Managing Director or Finance Director, as evidenced by each organisation's most recent audited accounts. There are no significant areas to be included in this statement.

The Council also receives assurance from 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. This is chaired by the Head of Commercial and Procurement.

The ALEO Assurance Hub has a remit to provide oversight of each ALEO's risk management, financial management and governance arrangements. 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 continues to adopt a proportionate and risk-based approach and receives assurance from ALEOs through exception reporting which allows it to assess the level of ALEO risk to the Council.

The following ALEOs fall within the remit of the Hub and are therefore subject to the Hub terms of reference:-

- Sport Aberdeen
- Aberdeen Sports Village
- Bon Accord Care
- Aberdeen Heat and Power
- Aberdeen Performing Arts

The Hub reported to the Audit, Risk and Scrutiny Committee in June and December 2019 on the level of assurance they had received from each ALEO and advising on the level of risk to the Council. There was also a review of ALEO Service Level Agreements and modifications made to these to recognise the requirements of the Assurance Hub to receive assurance regarding systems of governance, company outcomes and risk management and mitigation. In addition, each ALEO presented an annual report to the Strategic Commissioning Committee in respect of their contribution to the Council and the city's outcomes.

The Assurance Hub reviewed the following areas in 2019/20:-

- Financial Management – review of quarterly trading accounts and annual audited accounts
- Review of risk registers
- ALEO internal and external audit reports
- Accountability and transparency of ALEO decision making
- Public participation in ALEO decision making
- Business continuity planning
- Information governance and data protection
- PREVENT strategy
- High level employment practices
- Induction and training programme for ALEO Board Members
- Composition and capacity of ALEO Board
- Medium term financial planning

In the most recent report, in all cases the overall ratings were Very Low, Low or Medium.

### **Integration Joint Board**

The Aberdeen City Integration Joint Board (IJB) has taken a number of steps during 2019-20 to further strengthen its governance arrangements. These include:-

- Review of Board and Committee Terms of Reference
- Approval of ACHSCP Annual Report 2018-19
- IJB Developmental Workshop sessions – regular focus on the development of the Strategic Plan and areas of importance to the members
- Chairs of the IJB, Risk, Audit and Performance Committee and Clinical and Care Governance Committee reviewing remits of Committees to ensure alignment and reduce duplication
- Strategic Risk Register review – including revised risk register and risk appetite statement
- Further development of the Strategic Plan 2019-2022 – introduction of a series of programmes to manage and focus pace of change required.
  - Programme 1 - An Approach to Demand Management implemented through a strategic commissioning approach.
  - Programme 2 - A deliberate shift to prevention
  - Programme 3 - A Data and Digital Programme
  - Programme 4 - Conditions for Change
  - Programme 5 - Accessible and responsive infrastructure
- Mapping of the performance indicators to the strategic priorities.
- Review of the IJB's Financial Regulations and Board Assurance and Escalation Framework
- Development of Localities planning – reduction from 4 to 3 with better alignment to partners
- Working with the North East Partners Group to better align pan-Grampian service provision and delivery
- Hosted Services – regular review to enhance service provision
- Strengthening of governance related to health and safety to align with structures in ACC and NHSG

- Strengthening of governance related to civil contingencies to align with structures in ACC and NHSG

The IJB Chief Officer considers:-

- that the work undertaken to date has enabled the Partnership to be in a stronger position to face the challenges of the developing CoVid 19 pandemic.
- that the internal control environment operating during the reporting period has been enhanced and provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives and strategic priorities will be identified and actions taken to avoid or mitigate their impact.
- that sufficient 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 IJB'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 2020, the Chief Internal Auditor will provide the Council with an annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ending 31 March 2020.

The report will provide details of the position relating to the audits contained within the 2019/20 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 annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control 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 2020. The report will further confirm 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 2019/20 was agreed by the Audit, Risk and Scrutiny Committee on 14 February 2019. A total of 15 audits contained in the 2019/20 plan were completed by the end of the year along with 7 relating to 2018/19. A further 3 were with management for comment and 8 others were well progressed. 218 recommendations were made and agreed with management in finalised reports, of which 1 was classed as major at corporate level. The remainder were either significant within the audited area or important within the audited area. Although it is acknowledged that different areas of the organisation are audited each year, and there has been an increase in the number of recommendations made compared with 2018/19 (159), the total number of recommendations made by Internal Audit has reduced from 340 in 2016/17 and 274 in 2017/18.

Progress made by officers in implementing recommendations is monitored by Internal Audit and reported to the Audit, Risk and Scrutiny Committee each cycle and the Corporate Management Team monthly. The number of recommendations that had not met their initial timescale for implementation was 14 at the start of the year (as reported to Audit, Risk and Scrutiny Committee on 30 April 2019). The equivalent figure for the year end was 39, however the figure for the previous year was arrived at slightly later in the year than this statement, and so there may still be a reduction in this figure by the time the statement is considered by Committee.

### 2.1.3 External Scrutiny

The External Auditor, KPMG, reports regularly to the Audit, Risk and Scrutiny Committee and its 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.

### 2.1.4 COVID-19

In order to manage the response to the Covid19 pandemic, the Council has established a Corporate Management Team Strategic Response Group which is chaired by the Chief Executive. This group meets weekly and monitors the Council's Risk Management Plans supported by data dashboards to facilitate informed scenario planning and decision making. Risk Management Plans cover the areas of financial resilience, workforce planning & protection, supply chain stabilisation, business resilience, digital resilience, governance, care for people and critical services. This has allowed the Strategic Response Group to monitor the funding and logistical consequences of delivering the local government response and to assess the longer term disruption and consequences that may arise from the coronavirus pandemic. The Group has also considered a report of the impact on the Council's control environment and adequacy of its governance arrangements. Following consideration of the paper, proposals were agreed to engage with the Chief Internal Auditor to amend the Internal Audit Plan for 20/21 to reflect the new and emerging risks flowing from the pandemic. This would ensure that the Internal Audit Plan remained relevant to the organisation's risks. Also noting the changes made to the Council's Scheme of Governance at the Urgent Business Committee (UBC) on 20 March 2020 outlined below, the Strategic Response Group considered the governance arrangements at that time to be adequate. It was noted that the arrangements would be kept under review as part of the Governance Risk Management Plan.

The Strategic Response Group is supported by an Incident Management Team (IMT) which is chaired by the Duty Emergency Response Coordinator. Initially it met daily, and on occasion twice a day, but now meets weekly. It managed the initial response to the pandemic and associated government advice. The Group acts as a forum to provide situational awareness to all Chief Officers on matters such as the impact on business as usual in the delivery of services. It also acts as a forum for tactical decision making.

In addition to the above structures, the Chief Executive attends the Grampian Local Resilience Partnership which was activated in response to the pandemic. The multi-agency forum helps ensure a whole system approach to the response and subsequent recovery to the pandemic.

On 20 March 2020, recommendations were put before the Urgent Business Committee (UBC) to streamline the Council's decision-making structure to better enable staff and Members to adhere to the UK and Scottish Government's guidance and to support the operational response to the Covid-19 pandemic whilst allowing business of an urgent nature to be determined. The UBC determined that all Council, committee, subcommittee and working group meetings be cancelled until 21 August with the exception of the Planning Development Management Committee and other sub committees such as Licensing and Appeals, with any other business critical items to be considered at meetings of the Urgent Business Committee to ensure that business could proceed in the interim. Amendments were made to the Council's Standing Orders to enable remote attendance at meetings; additional powers were added to the Powers Delegated to Officers to allow specific Chief Officers to determine licensing and planning matters in exceptional circumstances; and slight amendments made to the current powers of the Chief Executive and all Chief Officers in respect of emergencies. Given the dynamic situation, the Council's committee arrangements will be kept under active review.

## 2.2 Assessment of Governance Activity

Self assessment provides reasonable assurance on the adequacy and effectiveness of Aberdeen City Council and its systems of governance and demonstrates fully our commitment to improving the governance of the Council.

Table A below summarises sources of assurance against the requirements of the Local Code of Governance for the period 1 April 2019 to 31 March 2020. This includes a self evaluation of effectiveness as at 31 March 2020 thereby providing assurance around our systems of internal control:



Table A

| CIPFA Principle of Good Governance  | Sources of Assurance 2019/20  |
|---|---|
| <b>A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b> | <ul style="list-style-type: none"> <li>➤ Attainment of CIPFA Governance Mark of Excellence.</li> <li>➤ Information governance reporting and scrutiny through Audit, Risk &amp; Scrutiny Committee, Corporate Management Team and monthly meetings of the Information Governance Group chaired by the Senior Information Risk Owner. Includes oversight of implementation of General Data Protection Regulation 2018 by Council and its ALEOs</li> <li>➤ Monitoring of Scheme of Governance to ensure continued effectiveness; training delivered to elected members and officers; approval of further revisions to the Scheme to make decision making more efficient and transparent.</li> <li>➤ Member Officer Relations Protocol revised and updated to reflect new Guiding Principles.</li> <li>➤ Second annual review by Committees of their effectiveness against Terms of Reference initiated, with feedback taken on board from the previous year and adjustments made to the content. CIPFA noted in their 2020 review of governance at Aberdeen City Council the engagement of Committee Members with the process by making specific suggestions for improvements to the reports in future years.</li> <li>➤ Training on Bond Governance for Chief Officers, elected members and ALEOs, including production of videos which were used in training and made available to all staff on meeting room screens. KPMG reported (draft external audit intentions, January 2020) that while it considered the Bond to be a significant risk in their 2016-17 audit, it did not consider it to be a significant risk in the last two audits, demonstrating the Council's appropriate finance and governance arrangements.</li> <li>➤ Roll out of Policy Framework for the maintenance and approval of policies to establish a consistent design and content for all Council policies and to ensure they link to strategic outcomes and risk. Includes establishment of a digital library of policies through Sharepoint which can be accessed by policy owners and users.</li> <li>➤ Policy guidance, template and policy update procedure made available online to all staff.</li> <li>➤ Further development of online consultation and legislative trackers so that Council is well placed to influence national policy and legislative changes and is ready to implement new legislative duties.</li> </ul> |
| <b>B - Ensuring openness and comprehensive stakeholder engagement</b>   | <ul style="list-style-type: none"> <li>➤ Staff Governance Committee, including trade union adviser representatives. The first annual effectiveness report for the Staff Governance Committee contained very positive comments from trade union advisers about the operation of the committee throughout the year.</li> <li>➤ Weekly Director and trade union meetings to strengthen engagement.</li> <li>➤ Regular meetings between Chief Officers and TU representatives for cluster level engagement.</li> <li>➤ Continued expansion of the Leadership Forum at all levels, with 358 officers affiliated, and participation and collaboration through events, webinars and use of Sharepoint, in order to contribute to an open distributive leadership.</li> <li>➤ Following extensive engagement, introduction of a set of Guiding Principles as the new behavioural framework for the Council, noted by KPMG as representing best practice and contributing significantly to the effectiveness of the Council's transformation.</li> <li>➤ Again, following extensive engagement, introduction of Continuous Review and Development to replace Performance Review and Development, with a focus on continuous improvement and regular discussions between staff and their managers in respect of attainment of work objectives, knowledge and skills, behaviours and self and team assessment.</li> <li>➤ Review of ALEO Service Level Agreements and modifications made to recognise the requirements of the Assurance Hub to receive assurance regarding systems of governance, company outcomes and risk management and mitigation.</li> <li>➤ Continuation of enhanced digital capabilities, including new online services such as the introduction of a chatbot to enhance the customer experience.</li> <li>➤ Implementation of plan to develop customer service aligned with the requirements of Customer Service Excellence accreditation which the Council aims to achieve by the end of 2020, taken forward through engagement with staff and customers</li> </ul>   |

| CIPFA Principle of Good Governance   | Sources of Assurance 2019/20   |
|--|--|
| <b>C - Defining outcomes in terms of sustainable economic, social and environmental benefits</b> | <ul style="list-style-type: none"> <li>➤ Participation in UNICEF'S Child Friendly Partners Programme for Child Friendly Cities and Communities, including the establishment of a city-wide pupil forum to meet regularly to support the identification and setting of strategic priorities for the education service, discuss a range of relevant issues and influence the recommendations being taken to the Education Operational Delivery Committee.</li> <li>➤ Review of existing processes and requirements in respect of impact assessments and preparation of a digital form for report authors to use to evaluate how proposals and decisions will directly or indirectly have an impact on different communities; whether the Council is meeting its legal requirements in terms of Public Sector Equality Duty, Equality outcomes and Human Rights; whether Children's Rights have been impacted; whether socio-economic disadvantage is reduced; and whether any measures need to be put in place to ensure any negative impacts are eliminated or minimised.</li> <li>➤ Introduction of We CARE Customer Charter which outlines what good customer service should look like across all Council services and how customers should expect to be treated.</li> <li>➤ Increased publishing of both Council and partners' "Open Data" to the wider community to promote transparency and encourage innovation around that data.</li> <li>➤ Ongoing involvement in project groups including chairing the Community Engagement Group.</li> <li>➤ Participation in various external partnerships which support the economic development of the Place of Aberdeen, for instance, City Region Deal Joint Committee.</li> <li>➤ The development of a Distributive Leadership Model to underpin a new approach to urban governance recognising the need for a modern collaborative approach to place (the City and the broader region) leadership.</li> </ul>  |
|  | <ul style="list-style-type: none"> <li>➤ Approval of a Strategy Framework - ensuring all strategies on the Council's Framework align to the Local Outcome Improvement Plan (LOIP), have clear data led outcomes based on the needs of the population and are aligned to each other.</li> <li>➤ Approval of commissioning intentions defining the contribution of the organisation to the Local Outcome Improvement Plan.</li> <li>➤ Approval of the Aberdeen Local Development Plan to facilitate the delivery of the Council's outcomes.</li> <li>➤ Work undertaken to revise committee report template and guidance introduced to ensure due consideration given to environmental and climate impact of any proposals – to be rolled out April 2020.</li> <li>➤ Rollout of Performance Management Framework based around a cycle of four activities: Plan, Do, Study, Act ensuring an integrated approach to performance management and planning. Information and intelligence supports delivery and enables scrutiny of existing priorities and leads the development of learning, forward planning and commissioning.</li> <li>➤ Development and roll out of "real time" interactive dashboards to support operational delivery of services as well as analytics, contract management and public performance reporting.</li> <li>➤ Introduction of interactive dashboards for elected members which allow permanent access to the most up to date performance data, moving towards performance management and scrutiny being a continuous process.</li> <li>➤ Undertaking a pro-active approach to addressing Aberdeen's contribution to climate change and the current and future impacts of it on the city and organisation, helping to meet the legislative requirements of the Climate Change (Scotland) Acts 2009 and 2019. This supports environmental considerations aligned to the Council's credit rating and contributes to the delivery of outcomes for climate change under the Local Outcome Improvement Plan (LOIP), including <ul style="list-style-type: none"> <li>○ Work to develop and refresh place-based and council net zero and climate resilience plans.</li> <li>○ Approval of Aberdeen Adapts; a city Climate Adaptation Framework in December 2019 incorporating the views of 41 local organisations and setting the priorities, goals and action areas to build long term city resilience to climate change.</li> <li>○ Submission of an annual Climate Change Report to Scottish Government in November 2019, providing qualitative and quantitative information on the progress with reducing emissions from Council assets and operations; and with building climate resilience.</li> </ul> </li> </ul> |

| CIPFA Principle of Good Governance   | Sources of Assurance 2019/20  |
|--|---|
| <p><b>D - Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p> | <ul style="list-style-type: none"> <li>➤ Approval of Council Delivery Plan 2020/21 setting out the Council's annual contribution to the LOIP, city and regional outcomes, and transformational activities.</li> <li>➤ Approval of a joint strategic commissioning approach for both the Council and Aberdeen Integration Joint Board.</li> <li>➤ Delivery of transformation objectives through programmes of work incorporating a suite of transformational projects designed to deliver the capabilities, digital strategy and associated benefits, both financial and non-financial, to help deliver the TOM.</li> <li>➤ Finalised Council structure with redesign of Business Intelligence and Performance Management service to Data and Insights cluster and move from Commissioning Function to Customer Function to assist in understanding of need, demand, service delivery and to support data driven decision making.</li> <li>➤ Finalised structure also moves Governance, along with Strategic Place Planning &amp; City Growth, into the Commissioning function, recognising the key role Governance has played and continues to play in the embedding of the commissioning model – a key element of the Target Operating Model and recognising the importance that Place Planning &amp; City Growth play in setting the strategic direction for the city against which the Council's commissioning intentions will be set.</li> <li>➤ Assurance 365 – transforming the Council's approach to assurance management and governance arrangements across the Council by utilising the full functionality of Office365 to provide 'real time' data.</li> <li>➤ Scheme of Governance kept under continuous review and amendments made and approved March 2020.</li> <li>➤ Annual reports for each ALEO reported to Strategic Commissioning Committee.</li> <li>➤ ALEO Assurance Hub monitoring of ALEOs through exception reporting to allow it to assess the level of ALEO risk to the Council and its outcomes.</li> <li>➤ ALEO Assurance Hub workplan 2020 reported to Audit, Risk and Scrutiny Committee for member oversight and assurance.</li> <li>➤ Influencing strategy frameworks of partners to help ensure alignment with the LOIP and encourage interventions necessary to delivery LOIP outcomes, through, for example, Multi-Agency Transformation Management Group.</li> <li>➤ In respect of the LOIP, 52 of the 54 project charters presented to the Community Planning Aberdeen Board have been approved and are now live. A large number of these projects are either currently testing or are showing signs of improvement, including:- <ul style="list-style-type: none"> <li>• increasing the number of families who request additional support and receive an offer of an appropriate service within 30 days of receipt of the child's plan to 80% by 2021;</li> <li>• increasing the number of individuals who are on a custodial sentence, CPO Supervision or Diversion from Prosecution supported to make progress on the Employability Pipeline by 2021;</li> <li>• increasing the number of individuals who are involved in cuckooing incidents who undertake effective interventions or who are referred to relevant support services in priority localities by 2021; increasing community food growing in schools, communities and workplaces by 2021;</li> <li>• increasing by 20% the number of young people identified as being at risk of becoming involved in offending behaviour who are engaged in targeted community-based activities by 2021;</li> <li>• reducing the instances of anti-social behaviour as a result of appropriate and effective interventions in targeted areas by 10% by 2021;</li> <li>• increasing the number of young people living in Quintiles 1,2 and 3 who achieve a sustained positive destination by working with communities to 90%;</li> <li>• increasing the number of young people taking up foundation apprenticeships to 142 by 2021;</li> <li>• increasing the confidence of parents and young people to recognise and seek support in response to deteriorating mental wellbeing; the confidence of school-based staff to recognise and respond to children who require support and directing them to the school Nursing Service to 90%, and the support provided by the school Nursing service to children and young people with escalating mental wellbeing concerns by 50%.</li> </ul> </li> </ul> |

| CIPFA Principle of Good Governance   | Sources of Assurance 2019/20  |
|--|---|
| <p><b>E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</b></p> | <ul style="list-style-type: none"> <li>➤ The Community Planning Partnership has been successful in gaining the commitment of non-statutory CPA partners in the delivery of the improvement projects and there is at least one non CPA partner involved and contributing to 77% of the improvement projects, ensuring capitalisation on the wider resources available.</li> <li>➤ Continued training of councillors and officers on their obligations relative to the London Stock Exchange and Bond issue and on the Scheme of Governance.</li> <li>➤ Introduction of Core HR, including giving employees more control over their own career and performance, but also more responsibility</li> <li>➤ Introduction of Guiding Principles (Purpose, Pride, Team, Trust, Value) – created by staff and for staff to guide the way officers work, the way officers behave with each other and to make sure staff all have the same understanding of what it means to work for the Council.</li> <li>➤ Introduction of Continuous Review and Development across the Council – with an emphasis on regular quality conversations between employees and their line manager to reflect on achievements and development needs and to plan ahead.</li> <li>➤ Capability Framework – a new self and team assessment against the knowledge, skills and behaviours Aberdeen City Council needs employees to have – with a Learning Academy to allow employees to upskill</li> <li>➤ Continued expansion of Leadership Forum at all levels, with 358 officers affiliated, and participation and collaboration through events, webinars and use of Sharepoint, in order to contribute to an open distributive leadership.</li> <li>➤ Continuation of training programme on use of data to support informed decision making and enable robust measurement and evaluation of interventions.</li> <li>➤ Introduction of new intranet, including many learning and training resources for staff, webinars and opportunities for development</li> <li>➤ Ongoing evaluation of Elected Member Development Programme with work undertaken to identify alternative delivery methods to increase take-up.</li> <li>➤ Award of gold accreditation level from Investors in Young People recognising excellence in recruiting and retaining young people.</li> </ul>  |
| <p><b>F - Managing risk and performance through robust internal control and strong public financial management</b></p>       | <ul style="list-style-type: none"> <li>➤ In respect of the self-assessment of the uncontrolled risk of asbestos fibres as a significant governance issue in 2018/19, an action plan was created and monitored by CMT Stewardship in relation to procedures for dealing with accidental disturbances of asbestos, training and contract management. This was also reported to the Staff Governance Committee in January and March 2019 and the Health and Safety Executive confirmed in March 2019 that they were satisfied with actions taken and procedures put in place to prevent a reoccurrence.</li> <li>➤ Following the above, Elected Members on the Staff Governance Committee requested a standing item on the committee agenda for three cycles to allow for discussion of any asbestos related matters however there was no report required following implementation of the action plan.</li> <li>➤ Internal Audit's Annual Report for 2019/20 presented to Audit, Risk and Scrutiny Committee in April 2019.</li> <li>➤ Risk Registers kept under continuous review and reported to Committees.</li> <li>➤ Assurance Maps included in risk information to provide a visual representation of the sources of assurance associated with each Cluster. Evidences the breadth and depth of assurance sources, so that Committees and Senior Management Teams can determine where these are insufficient – this information includes detail on the three lines of defence – doers, helpers, checkers.</li> <li>➤ Cluster Risk Registers demonstrating how effectively risk is being managed through the controls which flow out of the above sources of assurance, through the Corporate Risk Register reviewed by the Audit, Risk and Scrutiny Committee and Corporate Management Team.</li> <li>➤ Risk Management Policy – introduction of policy and supporting documents to (a) provide practical guidance on the approach required to effectively manage risk; (b) set out the Council's approach to managing threats and opportunities through a risk appetite statement; (c) provide practical tools with which to manage risk in a way which supports the Council in its delivery plans and commissioning intentions; and (d) nurture a philosophy of risk intelligence and maturity through developing informed and proactive risk owners and managers.</li> <li>➤ Continued reporting from ALEO Assurance Hub to Audit, Risk and Scrutiny Committee on its oversight approach which balances the Council's need for assurance with an ALEO's right to govern itself as an independent entity.</li> </ul> |

**CIPFA Principle of Good Governance**

**Sources of Assurance 2019/20**

**G - Implementing good practices in transparency, reporting and audit to deliver effective accountability**

- The Hub adopts a proportionate and risk-based approach and receives assurance from ALEOs through exception reporting which allows it to assess the level of ALEO risk to the Council. Reporting is based on the degree of assurance provided on each ALEO's financial management; risk management and governance arrangements.
- Work undertaken on committee report template risk section and guidance revised to align with content of Risk Management Policy.
  - Monthly meetings of CMT Stewardship, Strategy and Transformation
  - Monthly meetings of Information Governance Group chaired by the Senior Information Risk Owner.
  - Organisational Resilience Group retained oversight of resilience actions, including incident debriefs, reporting quarterly to CMT.
  - Review of credit rating by credit rating agency noting the Council's 'strong institutional framework' through internal governance and scrutiny.
  - Procurement Control Board managing and monitoring reduction of expenditure.
  - Scrutiny of safety management plans by Staff Governance Committee.
  - Corporate Investigation Team minimising financial losses to the public purse as a result of fraudulent activities.
  - Creation of separate risks registers to account for major emerging risks, including EU Exit and Covid19 pandemic.
  - EU Exit Steering Group established, with membership including Chief Officers leading thematic Incident Management Teams prepared for activation as required. As noted above, a separate Risk Register was created and reviewed by the Steering Group and reported to the Corporate Management Team on a monthly basis.
  - Roll out of revised Performance Management Framework reflecting the Local Outcome Improvement Plan and the Council's commissioning outcomes and intentions as set out within the Council Delivery Plan.
  - Financial modelling; with a deep dive to focus on some areas; assignment-based, sharing Finance experience and expertise with colleagues across the Council to improve financial controls and financial stewardship.
  - Work undertaken in Finance to support strategic work (e.g. demand analysis, benchmarking and data analysis), supporting the commissioning led approach to the budget.
  - Improvements to finance systems with a focus on the ledger, providing monthly system-based information to managers; updated procedures for month and quarter end; work to improve graphical presentation of data and key metrics through Power BI.
  - Commissioning led approach to the budget provided the opportunity for managers to influence and shape their service budget. Detailed reviews undertaken of areas of the business where activity is critical, leading to a better and more comprehensive understanding of cost drivers and the need for managers to control productivity as well as cost.
  - Revised Scheme of Governance taking on board feedback gathered from officers and Members through the year.
  - Roll out of revised Performance Management Framework reflecting the Local Outcome Improvement Plan and the Council's commissioning outcomes and intentions as set out within the Council Delivery Plan and development and roll out of "real time" interactive dashboards to support operational delivery of services as well as analytics, contract management and public performance reporting.
  - 'Assurance 365' project seeking to delivery 'real time' dashboards for assurance data empowering managers to make informed decisions based on most up to date data.
  - Second annual review by Committees of their effectiveness against Terms of Reference initiated, with feedback taken on board from the previous year and adjustments made to the content – considered to be, 'best practice.'
  - Internal Audit reporting throughout the year to Audit, Risk and Scrutiny Committee in respect of progress on outstanding audit recommendations, and approval of Internal Audit Annual Plan 2020/21 at Committee in February 2020.

### SECTION 3 MONITORING IMPLEMENTATION AND FUTURE DEVELOPMENTS

In 2020/21 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 Stewardship arm of the Corporate Management Team.

An action plan is in place to take forward areas of development identified by CIPFA, following the Council's success in achieving the Governance Mark of Excellence in March 2020. The table below highlights the primary actions planned in 2020/21.

**Table B**

| CIPFA Principle of Good Governance  | Primary Actions Planned 2020/21  |
|---|--|
| <b>A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b> | <ul style="list-style-type: none"> <li>➤ Embedding improvement work flowing from CIPFA Governance Mark of Excellence Report 2020.</li> <li>➤ Monitoring and annual review of Scheme of Governance to ensure that it continues to provide effective assurance for Members and officers, and future audit testing will monitor application of the various governance procedures and their effectiveness.</li> <li>➤ Second annual review by Committees of their effectiveness against Terms of Reference.</li> <li>➤ Continued monitoring of Member Officer Relations Protocol to ensure that it is consistently applied and to encourage consistency of Member / Officer behaviours</li> <li>➤ Continuation of the Scheme of Governance training.</li> <li>➤ Bond Governance – continue to embed implications of trading on London Stock Exchange within organisation.</li> <li>➤ Ongoing policy review to determine whether these are still required and consider if there is opportunity to consolidate and remove unrequired process to ensure they provide a better experience for the user and great consistency and clarity of understanding, or whether they could be converted to procedures.</li> <li>➤ Ongoing work to create more awareness of policies, the need for regular review and the aim of improving compliance.</li> <li>➤ Keeping Guiding Principles and capability framework under review, encouraging and monitoring desired staff behaviours.</li> </ul>   |
| <b>B - Ensuring openness and comprehensive stakeholder engagement</b>   | <ul style="list-style-type: none"> <li>➤ Annual review of the ALEO Assurance Hub.</li> <li>➤ 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.</li> <li>➤ The Customer Feedback Team will continue to work with services to improve the quality and speed of responses to Elected Members.</li> <li>➤ Continued embedding of the improvements in Customer and Community Empowerment and Engagement and taking the steps required to demonstrate Customer Service Excellence</li> <li>➤ Development of models for civic leadership and engagement to strengthen collaborative decision making.</li> <li>➤ Continued participation in UNICEF'S Child Friendly Partners Programme for Child Friendly Cities and Communities, and roll out and review of the city-wide pupil forum established by Education Operational Delivery Committee which will meet regularly to support the identification and setting of strategic priorities for the education service, discuss a range of relevant issues and influence the recommendations being taken to Committee.</li> <li>➤ Roll out of combined impact assessment form and supporting guidance</li> </ul> |
| <b>C - Defining outcomes in terms of sustainable economic, social and environmental benefits</b>                      | <ul style="list-style-type: none"> <li>➤ Review of support to Trusts to ensure that funding and support is aligned with outcomes.</li> <li>➤ The Strategic Commissioning Committee will continue to perform a monitoring role, approving commissioning activity to help ensure that the needs and outcomes specified in the LOIP are being achieved.</li> <li>➤ Continued embedding of commissioning for outcomes – not only in external commissioning, but in commissioning of internal services.</li> </ul>  |

| CIPFA Principle of Good Governance  | Primary Actions Planned 2020/21  |
|---|--|
| <b>D - Determining the interventions necessary to optimise the achievement of the intended outcomes</b>               | <ul style="list-style-type: none"> <li>➤ Ongoing work in respect of long term sustainability and climate change, including governance arrangements for development and delivery being integrated with Powering Aberdeen which aims to increase uptake of sustainable and renewable technologies</li> <li>➤ Use of Quality Improvement (QI) and the Model for Improvement framework to drive improvement activity. This approach has been embedded throughout Community Planning Aberdeen since 2016 to support delivery of the LOIP and Locality Plans. Spreading its use within the Council will provide the Council with a systematic approach to managing improvement to deliver improved services and outcomes.</li> <li>➤ Ongoing programme of work to develop and update commissioned and recommissioned strategies, taking account of the IJB's strategies, partnership strategies and ALEO strategies to help ensure that all strategies affecting the place are consistent and aligned to the LOIP and one another.</li> <li>➤ Identification of any gaps in the approved Strategy Framework, allowing proposals to be made to the relevant committee as necessary. Ongoing work to identify and develop a set of strategic implementation plans to support the delivery of the Council's strategies. Continuation of work to develop and refresh place-based and council net zero and climate resilience plans.</li> <li>➤ Preparation and collation of data for second annual report to Committees. Continued review of annual report after each year to ensure that format is effective, taking on feedback from Members.</li> <li>➤ Move of Governance, along with Strategic Place Planning &amp; City Growth clusters, into the Commissioning function, recognising the key role Governance has played and continues to play in the embedding of the commissioning model – a key element of the Target Operating Model and recognising the importance that Place Planning &amp; City Growth play in setting the strategic direction for the city against which the Council's commissioning intentions will be set.</li> <li>➤ Evaluation of progress in delivering better outcomes.</li> <li>➤ Further review of the Outside Bodies policy in 2020/21 ahead of the local government elections in 2022, taking into account the levels of assurance received in respect of ALEOs through the ALEO Assurance Hub.</li> </ul> <p>Continuation of digital work – roll out of tools to change the way employees work so that the Council can realise added value and deliver more efficiently and effectively; as well as further developments for digitising services to the public.</p> |
| <b>E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</b> | <ul style="list-style-type: none"> <li>➤ Review after one year of operation of the new approach to internal recruitment and movement of staff.</li> <li>➤ Ongoing Continuous Review and Development work throughout the year, including development plans for individuals being taken forward.</li> <li>➤ Embedding of recent developments, including Guiding Principles, staff development and the capability framework and the workforce plan.</li> <li>➤ Continuation of development planning sessions for new and existing Chief Officers.</li> <li>➤ Ongoing work to improve Elected Member Development Programme, with the aim of increasing attendance, while identifying alternative methods of delivery to assist those who have had difficulty attending training in the past due to work, study or family responsibilities, to include more flexible access such as online training within the Learning Academy and rebranding as Essential CPD.</li> <li>➤ Ongoing review of People Policies, updating them to align with, and act as behaviour reinforcers for, the Guiding Principles.</li> </ul>  |
| <b>F - Managing risk and performance through robust internal control and strong public financial management</b>       | <ul style="list-style-type: none"> <li>➤ Ongoing reporting through Performance Management Framework to evidence the delivery of better outcomes.</li> <li>➤ Monitoring of satisfactory completion of amended risk section in committee report template (to be introduced in April 2020) which aligns with Council's Risk Management Policy.</li> <li>➤ Development and delivery of a risk appetite statement.</li> <li>➤ Develop business case for digital platform for closing health and safety audits, fire risk assessments, compliance monitoring, workplace inspections and incident investigations.</li> <li>➤ Updating and approval of Business Continuity Policy</li> <li>➤ Reviewing approved Internal Audit Plan 2020/21 to account for Covid19 pandemic to ensure third line of defence is being targeted against Council's greatest risks.</li> </ul>   |

| CIPFA Principle of Good Governance  | Primary Actions Planned 2020/21   |
|---|---|
| <b>G - Implementing good practices in transparency, reporting and audit to deliver effective accountability</b> | <ul style="list-style-type: none"> <li>➤ Health and Safety training matrix for staff at all levels to be introduced.</li> <li>➤ Embedding of Value for Money approach through continuation of rigorous approach to business case methodology; with justification for changes and base line information sought and obtained ahead of decisions being made; a focus on essential spend instruction; continued scrutiny of commissioning and purchasing from ECMT; and the Demand Management Control Board to continue challenging procurement business cases with a view to demonstrating improved outcomes.</li> <li>➤ Further improvements to finance Business Partnering value adding arrangements through active management.</li> </ul> |
|   | <ul style="list-style-type: none"> <li>➤ Introduction of online process for consultation of committee reports, including incorporation of current committee business planners into process to ensure clear reporting lines, timescales and accountability.</li> <li>➤ Approval of a risk based Internal Audit Plan 2020/21.</li> <li>➤ Approval of programme for the ALEO Assurance Hub 2021/22.</li> <li>➤ Embedding of 'real time' dashboards in respect of performance and assurance helping to empower staff to make informed decisions.</li> <li>➤ Further development of committee effectiveness reports.</li> </ul>  |

#### SECTION 4 SIGNIFICANT GOVERNANCE ISSUES ACTION PLAN

The Annual Governance Statement from 2018/19 identified 2 significant governance issues and in reviewing the progress made by officers of these actions, both have progressed sufficiently to be removed.

While the review of effectiveness allows the Council to place reasonable reliance on the Council's, and its Groups', systems of internal control, the Council continues to address control weaknesses identified during audits and other significant matters arising, however there were no significant governance issues for the reporting period 2019/20.

**Table C**

| Issue Ref. | Issue Description            | Source of Evidence | Action |
|------------|------------------------------|--------------------|--------|
|            | <b>New issues in 2019/20</b> |                    |        |
| 1          | None                         |                    |        |
| 2          |                              |                    |        |



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**SECTION 5 LEVEL OF ASSURANCE OBTAINED**

The Council has undertaken a self-evaluation of its Local Code of Corporate Governance as at 31 March 2020. 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 continues to embed and as working practices are improved through digital design and delivery, levels of assurance are 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 and provide assurance to our internal and 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.

On behalf of Aberdeen City Council, 6 May 2020:

Angela Scott  
Chief Executive

6 May 2020

Councillor Douglas Lumsden  
Co-Leader of the Council

## 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 external audit. The other sections of the Remuneration Report will be reviewed by external audit 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 2019 (SSI No. 2019/23) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2018 (SSI No. 2018/38). 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 2019/20, the salary of the Leader of Aberdeen City Council is £40,765. 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, £30,575.

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 £456,416. 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, £30,575, with the remaining Senior Councillors receiving 75 per cent of that sum, £22,930.

In 2019/20, Aberdeen City Council had 17 Senior Councillor posts. The salary and allowances paid to them totalled £444,745 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 Chief Officers of Finance, Governance and Integrated Children's and Family Services are paid based on spinal column point 36. The Chief Officers of Strategic Place Planning and City Growth are paid based on spinal column point 34 and the Chief Education Officer on spinal column point 29. The Chief Social Workers are paid based on spinal column point 17 of the Local Authority Workers pay scale.

Aberdeen City Council takes part in the setting of the remuneration of its subsidiaries, 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. Sport Aberdeen Ltd and Bon Accord Support Services Ltd.

**Table 1: Remuneration Bands**

|                     | 2018/19             | 2019/20 |                            | 2018/19             | 2019/20 |
|---------------------|---------------------|---------|----------------------------|---------------------|---------|
| Remuneration Band   | Number of Employees |         | Remuneration Band (cont'd) | Number of Employees |         |
| £50,000 - £54,999   | 116                 | 133     | £155,000 - £159,999        | -                   | 2       |
| £55,000 - £59,999   | 80                  | 151     | £160,000 - £164,999        | 1                   | 1       |
| £60,000 - £64,999   | 25                  | 41      | £165,000 - £169,999        | 2                   | -       |
| £65,000 - £69,999   | 10                  | 19      | £170,000 - £174,999        | 1                   | -       |
| £70,000 - £74,999   | 10                  | 9       | £175,000 - £179,999        | 1                   | -       |
| £75,000 - £79,999   | 9                   | 7       | £180,000 - £184,999        | 2                   | -       |
| £80,000 - £84,999   | 8                   | 4       | £185,000 - £189,999        | 1                   | -       |
| £85,000 - £89,999   | 4                   | 13      | £190,000 - £194,999        | -                   | 1       |
| £90,000 - £94,999   | 1                   | 1       | £200,000 - £204,999        | -                   | -       |
| £95,000 - £99,999   | -                   | 1       | £205,000 - £209,999        | 1                   | -       |
| £100,000 - £104,999 | -                   | 1       | £210,000 - £214,999        | -                   | -       |
| £105,000 - £109,999 | 2                   | 1       | £220,000 - £224,999        | 1                   | 1       |
| £110,000 - £114,999 | 3                   | 2       | £225,000 - £229,999        | 1                   | -       |
| £115,000 - £119,999 | 2                   | -       | £230,000 - £234,999        | -                   | -       |
| £120,000 - £124,999 | 4                   | 3       | £235,000 - £239,999        | 2                   | -       |
| £125,000 - £129,999 | 2                   | 1       | £240,000 - £244,999        | -                   | 1       |
| £130,000 - £134,999 | 4                   | -       | £245,000 - £259,999        | -                   | -       |
| £135,000 - £139,999 | 1                   | 1       | £260,000 - £264,999        | 1                   | -       |
| £140,000 - £144,999 | 1                   | -       | £265,000 - £289,999        | -                   | -       |
| £145,000 - £149,999 | 1                   | 1       | £290,000 - £294,999        | 1                   | -       |
| £150,000 - £154,999 | 4                   | -       | <b>Total</b>               | 302                 | 395     |

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. All of those over £125,000 (excluding the Chief Executive) are as a result of including pension strain costs.

**Table 2: Total Remuneration Paid to Councillors**

|              | 2018/19<br>£     | 2019/20<br>£   |
|--------------|------------------|----------------|
| Salaries     | 948,916          | 958,597        |
| Allowances   | -                | -              |
| Expenses     | 58,220           | 39,134         |
| <b>Total</b> | <b>1,007,136</b> | <b>997,731</b> |

**Table 3: Exit Packages**

| Exit Package Cost Band | Number of Compulsory Redundancies |         | Number of Other Exit Packages Approved |            | Cost of Exit Packages<br>£'000 |                |              |                      |                |              |
|------------------------|-----------------------------------|---------|--|------------|--------------------------------|----------------|--------------|----------------------|----------------|--------------|
|                        | 2018/19                           | 2019/20 | 2018/19                                | 2019/20    | 2018/19                        |                |              | 2019/20              |                |              |
|                        |                                   |         |  |            | Benefits to Employee           | Strain on Fund | Total        | Benefits to Employee | Strain on Fund | Total        |
| £0 - £19,999           | -                                 | -       | 81                                     | 52         | 774                            | 71             | 845          | 569                  | 50             | 619          |
| £20,000 - £39,999      | -                                 | -       | 37                                     | 24         | 669                            | 297            | 966          | 466                  | 179            | 645          |
| £40,000 - £59,999      | -                                 | -       | 13                                     | 13         | 187                            | 530            | 717          | 231                  | 382            | 613          |
| £60,000 - £79,999      | -                                 | -       | 10                                     | 3          | 195                            | 486            | 681          | 32                   | 175            | 207          |
| £80,000 - £99,999      | -                                 | -       | 5                                      | 5          | 77                             | 377            | 454          | 68                   | 387            | 455          |
| £100,000 - £149,999    | -                                 | -       | 15                                     | 8          | 296                            | 1,531          | 1,827        | 117                  | 902            | 1,019        |
| £150,000 - £199,999    | -                                 | -       | 9                                      | -          | 148                            | 1,556          | 1,704        | -                    | -              | -            |
| £200,000 - £249,999    | -                                 | -       | 3                                      | 2          | 53                             | 407            | 460          | 31                   | 398            | 429          |
| £250,000 - £299,999    | -                                 | -       | -                                      | -          | -                              | -              | -            | -                    | -              | -            |
| £300,000 - £349,999    | -                                 | -       | 1                                      | 1          | 21                             | 323            | 344          | 17                   | 311            | 328          |
| <b>Total</b>           | -                                 | -       | <b>174</b>                             | <b>108</b> | <b>2,420</b>                   | <b>5,578</b>   | <b>7,998</b> | <b>1,531</b>         | <b>2,784</b>   | <b>4,315</b> |

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

Table 4: Remuneration of Senior Councillors

| 2018/19        | Councillor Name         | Responsibility   | 2019/20                          |   |                     | Total Remuneration<br>£ | Notes |
|----------------|-------------------------|--|----------------------------------|---|---------------------|-------------------------|-------|
|                |                         |  | Salary, Fees and Allowances<br>£ | Non-Cash Expenses & Benefits-In-Kind<br>£ | Other Expenses<br>£ |                         |       |
| 40,581         | Jennifer Laing          | Co Council Leader  | 40,765                           | 82  | -                   | 40,847                  | 1     |
| 31,778         | Douglas Lumsden         | Co Council Leader  | 30,575                           | 85  | 647                 | 31,307                  | 2     |
| 55,713         | Barney Crockett         | Lord Provost   | 30,675                           | 911                                       | 9,907               | 41,493                  |       |
| 30,502         | Jennifer Stewart        | Depute Lord Provost  | 30,819                           | 273                                       | 330                 | 31,422                  | 3     |
| 21,293         | Alan Donnelly           | Depute Provost (until 24 January 2019)                             | -                                | -   | -                   | -                       |       |
| 29,832         | Ryan Houghton           | Business Manager   | 30,575                           | 82  | -                   | 30,657                  | 4     |
| -              | Alex Nicoll             | Convener, Audit, Risk and Scrutiny (from 2 March 2020)             | 5,069                            | 16  | -                   | 5,085                   | 5     |
| 30,025         | Stephen Flynn           | Convener, Audit, Risk and Scrutiny (until 5 January 2019)          | 23,342                           | 69  | 33                  | 23,444                  |       |
| 22,789         | Ian Yuill               | Vice Convener, Audit, Risk and Scrutiny                            | 22,930                           | 82  | 70                  | 23,082                  |       |
| -              | Jackie Dunbar           | Interim Group Leader (from 6 January until 21 January 2020)        | 972                              | 3   | -                   | 975                     |       |
| 29,847         | Yvonne Allan            | Convener, Staff Governance   | 30,575                           | 82  | -                   | 30,657                  | 6     |
| 23,913         | Philip Bell             | Vice Convener, Operational Delivery                                | 22,930                           | 101                                       | 2,391               | 25,422                  |       |
| 22,582         | Freddie John            | Vice Convener, Strategic Commissioning                             | 22,930                           | 82  | -                   | 23,012                  |       |
| 30,389         | John Wheeler            | Convener, Operational Delivery                                     | 30,575                           | 82  | 735                 | 31,392                  | 7     |
| 23,213         | Lesley Dunbar           | Vice Convener, Public Protection                                   | 22,930                           | 90  | 69                  | 23,089                  |       |
| 23,146         | Gordon Graham           | Vice Convener, Operational Delivery                                | 22,930                           | 629                                       | -                   | 23,559                  |       |
| 41,086         | John Reynolds           | Convener, Licensing Committee                                      | 30,575                           | 209                                       | 11,093              | 41,877                  | 8     |
| 29,954         | Marie Boulton           | Convener, Capital Programme  | 30,575                           | 88  | 73                  | 30,736                  | 9     |
| 22,306         | Ross Grant              | Vice Convener, City Growth and Resources                           | 22,930                           | 76  | -                   | 23,006                  |       |
| 22,681         | Sarah Duncan            | NHS/Social Care Integration Joint Board & Social Care Spokesperson | 22,930                           | 82  | 69                  | 23,081                  |       |
| -              | Mohammed Tauqueer Malik | Convener, Pensions   | 23,445                           | 82  | 3,609               | 27,136                  | 10    |
| 22,402         | Claire Imrie            | Mental Health Spokeperson  | 17,138                           | 82  | -                   | 17,220                  |       |
| <b>554,032</b> | <b>Total</b>            |  | <b>516,185</b>                   | <b>3,288</b>                              | <b>29,026</b>       | <b>548,499</b>          |       |

Table 4 Notes

|                 |  |
|-----------------|--|
| <b>Note 1:</b>  | Councillor Laing is also Convener of Strategic Commissioning; Urgent Business Committee and Aberdeen City Region Deal.         |
| <b>Note 2:</b>  | Councillor Lumsden is also Convener, City Growth and Resources and Vice Convener of the Capital Programme and Urgent Business. |
| <b>Note 3:</b>  | Councillor Stewart is also Convener Public Protection and Vice Convener Planning Development Management.                       |
| <b>Note 4:</b>  | Councillor Houghton is also Vice Convener Staff Governance.  |
| <b>Note 5:</b>  | Councillor Nicoll is also Convener SNP Group from 6 January 2020.  |
| <b>Note 6:</b>  | Councillor Allan is also Convener Appeals.   |
| <b>Note 7:</b>  | Councillor Wheeler is also Convener Education Operational Delivery.  |
| <b>Note 8:</b>  | Councillor Reynolds is also Vice Convener Pensions Committee.  |
| <b>Note 9:</b>  | Councillor Boulton is also Convener Planning Development Management.   |
| <b>Note 10:</b> | Councillor Tauqueer Makis is also Depute Business Manager.   |

Table 5: Remuneration of Senior Employees of the Council

| 2018/19                 |                  |   | 2019/20                   | 2019/20                          |  |                          |                                      |
|-------------------------|------------------|---|---------------------------|----------------------------------|--|--------------------------|--------------------------------------|
| Total Remuneration<br>£ | Name             | Post Title  | Full Time Equivalent<br>£ | Salary, Fees and Allowances<br>£ | Compensation for Loss of Employment<br>£ | Total Remuneration*<br>£ | Returning Officer Fee<br>note 1<br>£ |
| 151,407                 | Angela Scott     | Chief Executive                                   | 155,949                   | 155,949                          | -  | 155,949                  | -                                    |
| 123,493                 | Andy MacDonald   | Director of Customer Services                     | 121,129                   | 121,129                          | -  | 121,129                  | -                                    |
| 124,935                 | Frank McGhee     | Director of Commissioning (until 30 April 2019)   | 121,129                   | 41,075                           | -  | 41,075                   |                                      |
| 117,601                 | Rob Polkinghorne | Chief Operating Officer                           | 121,129                   | 121,129                          | -  | 121,129                  |                                      |
| 117,601                 | Steven Whyte     | Director of Resources                             | 121,129                   | 121,129                          | -  | 121,129                  |                                      |
| 50,595                  | Jonathan Belford | Chief Officer - Finance                           | 89,337                    | 89,337                           | -  | 89,337                   |                                      |
| 86,735                  | Fraser Bell      | Chief Officer - Governance (Monitoring Officer)   | 89,337                    | 90,865                           | -  | 90,865                   | 1,528                                |
| 85,044                  | Gale Beattie     | Chief Officer - Strategic Place Planning          | 85,597                    | 85,797                           | -  | 85,797                   |                                      |
| 83,104                  | Richard Sweetnam | Chief Officer - City Growth                       | 85,597                    | 85,597                           | -  | 85,597                   |                                      |
| 14,169                  | Alison McAlpine  | Chief Social Work Officer (shared responsibility) | 58,374                    | 58,374                           | -  | 58,374                   |                                      |
| 14,169                  | Isabel McDonnell | Chief Social Work Officer (shared responsibility) | 58,374                    | 58,374                           | -  | 58,374                   |                                      |
| 151,056                 | Anne Donaldson   | Chief Social Work Officer (until 31 December 18)  | -                         | -                                | -  | -                        |                                      |
| 19,388                  | Graeme Simpson   | Chief Social Work Officer (until 31 July 18)      | -                         | -                                | -  | -                        |                                      |
| 37,722                  | Eleanor Sheppard | Chief Education Officer                           | 77,224                    | 77,224                           | -  | 77,224                   |                                      |
| <b>1,177,019</b>        | <b>Total</b>     |   |                           | <b>1,105,979</b>                 | <b>-</b>                                 | <b>1,105,979</b>         |                                      |

|                |   |
|----------------|---|
| *              | Some senior employees have carried out duties at Parliamentary Elections held during the year. Remuneration above includes any payment received for these duties.   |
| <b>Note 1:</b> | 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 Parliament Elections (Returning Officers' Charges) Order 2019 (UK SI 2019/1454). 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. Fraser Bell is the RO for Aberdeen City Council and during 19/20 he delegated some of the RO duties/fees to 2 other employees. |

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**

| 2018/19                 |                    |  | 2019/20                          |                                      |                                  |                         |
|-------------------------|--------------------|--|----------------------------------|--------------------------------------|----------------------------------|-------------------------|
| Total Remuneration<br>£ | Name               | Post Title   | Salary, Fees and Allowances<br>£ | Compensation for Loss of Office<br>£ | Benefits Other Than in Cash<br>£ | Total Remuneration<br>£ |
| 94,213                  | Alistair Robertson | Managing Director<br>Sport Aberdeen Ltd  | 99,900                           | -                                    | -                                | 99,900                  |
| -                       | Alexis Chappell    | Managing Director<br>Bon Accord Support Services Ltd (from 1 September 2019)       | 58,658                           | -                                    | -                                | 58,658                  |
| 55,903                  | Alistair MacLean   | Acting Managing Director<br>Bon Accord Support Services Ltd (until 31 August 2019) | 48,548                           | -                                    | -                                | 48,548                  |
| 39,828                  | Sandra Ross        | Managing Director (until 31 August 2018)<br>Bon Accord Support Services Ltd        | -                                | -                                    | -                                | -                       |
| <b>189,944</b>          | <b>Total</b>       |  | <b>207,106</b>                   | -                                    | -                                | <b>207,106</b>          |

Pension Benefits

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

Councillors' pension benefits 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 1/49<sup>th</sup> 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 1/49<sup>th</sup> 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 2018/19 | Pensionable pay                             | Contribution rate 2019/20 |
|---|---------------------------|---|---------------------------|
| On earnings up to and including £21,300     | 5.5%                      | On earnings up to and including £21,800     | 5.5%                      |
| On earnings above £21,300 and up to £26,100 | 7.25%                     | On earnings above £21,800 and up to £26,700 | 7.25%                     |
| On earnings above £26,100 and up to £35,700 | 8.5%                      | On earnings above £26,700 and up to £36,600 | 8.5%                      |
| On earnings above £35,700 and up to £47,600 | 9.5%                      | On earnings above £36,600 and up to £48,800 | 9.5%                      |
| On earnings above £47,600                   | 12%                       | On earnings above £48,800                   | 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 1/49<sup>th</sup> of pensionable pay (from 2009 to 2015 the accrual rate guaranteed a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> 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 2020.

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 2020.

Table 9: Details of pension contributions made by the Council's subsidiary bodies i.e. 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<br>March 2019<br>£    | For year to 31<br>March 2020<br>£ |                             | As at<br>31 March 2020<br>£'000 | Difference from<br>31 March 2019<br>£'000 |
| Jennifer Laing         | Co Council Leader  | 7,653                                | 7,850                             | Pension<br>Lump Sum         | 8<br>2                          | 1<br>-                                    |
| Douglas Lumsden        | Co Council Leader  | 5,740                                | 5,888                             | Pension                     | 2                               | 1   |
| Barney Crockett        | Lord Provost   | 5,740                                | 5,888                             | Pension<br>Lump Sum         | 7<br>2                          | 1<br>-                                    |
| Jennifer Stewart       | Depute Lord Provost  | 5,740                                | 5,888                             | Pension<br>Lump Sum         | 6<br>2                          | 1<br>-                                    |
| Alan Donnelly          | Depute Provost (until 24 January 2019)                             | 3,565                                | -                                 | Pension<br>Lump Sum         | -<br>-                          | (7)<br>(10)                               |
| Ryan Houghton          | Business Manager   | 5,740                                | 5,888                             | Pension                     | 2                               | 1   |
| Stephen Flynn          | Convener, Audit, Risk and Scrutiny (until 5 January 2019)          | 5,740                                | 4,505                             | Pension                     | 3                               | 1   |
| Ian Yuill              | Vice Convener, Audit, Risk and Scrutiny                            | 4,305                                | 4,416                             | Pension<br>Lump Sum         | 5<br>2                          | -<br>-                                    |
| Jackie Dunbar          | Interim Group Leader (from 6 January until 21 January 2020)        | -                                    | 188                               | Pension<br>Lump Sum         | 5<br>2                          | 5<br>2                                    |
| Yvonne Allan           | Convener, Staff Governance   | 5,740                                | 5,888                             | Pension<br>Lump Sum         | 8<br>2                          | 1<br>-                                    |
| Philip Bell            | Vice Convener, Operational Delivery                                | 4,305                                | 4,416                             | Pension                     | 1                               | -   |
| Freddie John           | Vice Convener, Strategic Commissioning                             | 4,305                                | 4,416                             | Pension                     | 1                               | -   |
| John Wheeler           | Convener, Operational Delivery                                     | 5,740                                | 5,888                             | Pension                     | 2                               | 1   |
| Lesley Dunbar          | Vice Convener, Public Protection                                   | 4,305                                | 4,416                             | Pension                     | 3                               | -   |
| Gordon Graham          | Vice Convener, Operational Delivery                                | 4,305                                | 4,416                             | Pension<br>Lump Sum         | 5<br>2                          | -<br>-                                    |
| John Reynolds          | Convener, Licensing Committee                                      | 5,740                                | 5,888                             | Pension<br>Lump Sum         | 8<br>2                          | 2<br>-                                    |
| Marie Boulton          | Convener, Capital Programme  | 5,740                                | 5,888                             | Pension<br>Lump Sum         | 7<br>2                          | 1<br>-                                    |
| Ross Grant             | Vice Convener, City Growth and Resources                           | 4,305                                | 4,416                             | Pension                     | 4                               | 1   |
| Sarah Duncan           | NHS/Social Care Integration Joint Board & Social Care Spokesperson | 4,305                                | 4,416                             | Pension                     | 1                               | -   |
| Mohammed Taugeer Malik | Convener, Pensions   | -                                    | 4,438                             | Pension                     | 3                               | 3   |
| Claire Imrie           | Mental Health Spokeperson  | 4,305                                | 3,377                             | Pension                     | 1                               | -   |
| <b>Total</b>           |  | <b>97,318</b>                        | <b>98,374</b>                     | <b>Pension<br/>Lump Sum</b> | <b>82<br/>18</b>                | <b>13<br/>(8)</b>                         |

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

Table 8: Pension Benefits – Senior Employees

| Name             | Post Title  | In-year Pension Contributions by ACC |                                   | Accrued Pension Benefits |                                 |   |
|------------------|---|--------------------------------------|-----------------------------------|--------------------------|---------------------------------|---|
|                  |   | For year to<br>31 March 2019<br>£    | For year to<br>31 March 2020<br>£ |                          | As at<br>31 March 2020<br>£'000 | Difference from<br>31 March 2019<br>£'000 |
| Angela Scott     | Chief Executive                                   | 28,913                               | 30,098                            | Pension                  | 73                              | 4   |
| Andy MacDonald   | Director of Customer Services                     | 1,866                                | 23,378                            | Pension                  | 28                              | 3   |
|                  |   |                                      |                                   | Lump Sum                 | 17                              | 1   |
| Frank McGhee     | Director of Commissioning (until 30 April 2019)   | 17,872                               | 1,948                             | Pension                  | -                               | (2)                                       |
| Rob Polkinghorne | Chief Operating Officer                           | 1,866                                | 23,378                            | Pension                  | 2                               | (1)                                       |
| Steven Whyte     | Director of Resources                             | 22,697                               | 23,378                            | Pension                  | 42                              | 3   |
|                  |   |                                      |                                   | Lump Sum                 | 59                              | 1   |
| Jonathan Belford | Chief Officer - Finance                           | 9,765                                | 17,242                            | Pension                  | 35                              | 34  |
|                  |   |                                      |                                   | Lump Sum                 | 59                              | 59  |
| Fraser Bell      | Chief Officer - Governance (Monitoring Officer)   | 16,740                               | 17,242                            | Pension                  | 16                              | 2   |
| Gale Beattie     | Chief Officer - Strategic Place Planning          | 16,414                               | 16,520                            | Pension                  | 28                              | 2   |
|                  |   |                                      |                                   | Lump Sum                 | 43                              | 1   |
| Richard Sweetnam | Chief Officer - City Growth                       | 16,039                               | 16,520                            | Pension                  | 24                              | 2   |
|                  |   |                                      |                                   | Lump Sum                 | 21                              | 1   |
| Alison McAlpine  | Chief Social Work Officer (shared responsibility) | 2,735                                | 11,266                            | Pension                  | 16                              | 2   |
|                  |   |                                      |                                   | Lump Sum                 | 16                              | -   |
| Isabel McDonnell | Chief Social Work Officer (shared responsibility) | 2,735                                | 11,266                            | Pension                  | 26                              | 2   |
|                  |   |                                      |                                   | Lump Sum                 | 45                              | 3   |
| Graeme Simpson   | Chief Social Work Officer (until 31 July 18)      | 3,742                                | -                                 | Pension                  | 32                              | 5   |
|                  |   |                                      |                                   | Lump Sum                 | 46                              | 6   |
| Anne Donaldson   | Chief Social Work Officer (until 31 December 18)  | 8,419                                | -                                 | Pension                  | -                               | (32)                                      |
|                  |   |                                      |                                   | Lump Sum                 | -                               | (65)                                      |
| Eleanor Sheppard | Chief Education Officer                           | 7,280                                | 16,027                            | Pension                  | 27                              | 3   |
|                  |   |                                      |                                   | Lump Sum                 | 60                              | 3   |
| <b>TOTAL</b>     |   | <b>157,083</b>                       | <b>208,263</b>                    | <b>Pension</b>           | <b>349</b>                      | <b>27</b>                                 |
|                  |   |                                      |                                   | <b>Lump Sum</b>          | <b>366</b>                      | <b>10</b>                                 |

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

Table 9: Pension Benefits – the Council's Subsidiary Bodies

| Name               | Post Title  | In-year Pension Contributions     |                                   | Accrued Pension Benefits |                                 |   |
|--------------------|---|-----------------------------------|-----------------------------------|--------------------------|---------------------------------|---|
|                    |   | For year to<br>31 March 2019<br>£ | For year to<br>31 March 2020<br>£ |                          | As at<br>31 March 2020<br>£'000 | Difference from<br>31 March 2019<br>£'000 |
| Alistair Robertson | Managing Director<br>Sport Aberdeen Ltd   | 8,814                             | 9,360                             | Pension                  | 57                              | 5   |
| Alexis Chappell    | Managing Director<br>Bon Accord Support Services Ltd (from 1<br>September 2019)       | -                                 | 10,500                            | Pension                  | 1                               | 1   |
| Alistair MacLean   | Acting Managing Director<br>Bon Accord Support Services Ltd (until 31 August<br>2019) | 9,280                             | 8,690                             | Pension                  | -                               | (8)                                       |
| Sandra Ross        | Managing Director (until 31 August 2018)<br>Bon Accord Support Services Ltd           | 6,874                             | -                                 | Pension                  | -                               | (10)                                      |
| <b>Total</b>       |   | <b>24,968</b>                     | <b>28,550</b>                     | <b>Total</b>             | <b>57</b>                       | <b>(13)</b>                               |

Angela Scott  
Chief Executive

Councillor Douglas Lumsden  
Co-Leader of the Council

6 May 2020

## 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<br>£'000 | Housing Revenue Account<br>£'000 | Statutory and Other Reserves<br>£'000 | Capital Grants Unapplied Account<br>£'000 | Total Usable Reserves<br>£'000 | Total Unusable Reserves<br>£'000 | Total Council Reserves<br>£'000 |
|---|-------------------------------|----------------------------------|---------------------------------------|---|--------------------------------|----------------------------------|---------------------------------|
| <b>Balance at 1 April 2018</b>  | <b>(40,697)</b>               | <b>(11,808)</b>                  | <b>(13,460)</b>                       | <b>0</b>                                  | <b>(65,965)</b>                | <b>(1,317,926)</b>               | <b>(1,383,891)</b>              |
| <b>Movement in Reserves during 2018/19</b>                                      |                               |                                  |                                       |   |                                |                                  |                                 |
| Total Comprehensive Income & Expenditure  | 81,284                        | 23,138                           | 0                                     | (482)                                     | <b>103,940</b>                 | (8,962)                          | <b>94,978</b>                   |
| Adjustments between accounting basis & funding basis under regulations (note 5) | (65,139)                      | (30,906)                         | (663)                                 | 0   | <b>(96,708)</b>                | 96,708                           | <b>0</b>                        |
| <b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>           | <b>16,145</b>                 | <b>(7,768)</b>                   | <b>(663)</b>                          | <b>(482)</b>                              | <b>7,232</b>                   | <b>87,746</b>                    | <b>94,978</b>                   |
| Transfers to/from Other Statutory Reserves (note 6)                             | (10,502)                      | 7,268 *                          | 3,298                                 | 0   | <b>64</b>                      | (64)                             | <b>0</b>                        |
| <b>(Increase)/Decrease in 2018/19</b>   | <b>5,643</b>                  | <b>(500)</b>                     | <b>2,635</b>                          | <b>(482)</b>                              | <b>7,296</b>                   | <b>87,682</b>                    | <b>94,978</b>                   |
| <b>Balance at 31 March 2019 carried forward</b>                                 | <b>(35,054)</b>               | <b>(12,308)</b>                  | <b>(10,825)</b>                       | <b>(482)</b>                              | <b>(58,669)</b>                | <b>(1,230,244)</b>               | <b>(1,288,913)</b>              |

\*£7.3m was transferred from Housing Revenue Account (HRA) revenue balances to General Fund (GF) to compensate the GF for the fair value transfer of land to the HRA. This transfer was treated as a capital receipt by the GF and was transferred to the GF Capital Fund

|   | General<br>Fund<br>Balance<br>£'000 | Housing<br>Revenue<br>Account<br>£'000 | Statutory and<br>Other<br>Reserves<br>£'000 | Capital Grants<br>& Receipts<br>Unapplied<br>Account<br>£'000 | Total Usable<br>Reserves<br>£'000 | Total Unusable<br>Reserves<br>£'000 | Total Council<br>Reserves<br>£'000 |
|---|-------------------------------------|--|---|---|-----------------------------------|-------------------------------------|------------------------------------|
| <b>Balance at 31 March 2019 brought forward</b>                                 | <b>(35,054)</b>                     | <b>(12,308)</b>                        | <b>(10,825)</b>                             | <b>(482)</b>  | <b>(58,669)</b>                   | <b>(1,230,244)</b>                  | <b>(1,288,913)</b>                 |
| <b>Movement in Reserves during 2019/20</b>                                      |                                     |  |   |   |                                   |                                     |                                    |
| Total Comprehensive Income & Expenditure  | 60,236                              | 31,147                                 | 0   | 0   | 91,383                            | 65,150                              | 156,533                            |
| Adjustments between accounting basis & funding basis under regulations (note 5) | (58,601)                            | (31,652)                               | (853)                                       | 0   | (91,106)                          | 91,106                              | 0                                  |
| <b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>           | <b>1,635</b>                        | <b>(505)</b>                           | <b>(853)</b>                                | <b>0</b>  | <b>277</b>                        | <b>156,256</b>                      | <b>156,533</b>                     |
| Transfers to/(from) Reserves  | (1,971)                             | 5                                      | 301   | 0   | (1,665)                           | 1,665                               | 0                                  |
| <b>(Increase)/Decrease in Year</b>  | <b>(336)</b>                        | <b>(500)</b>                           | <b>(552)</b>                                | <b>0</b>  | <b>(1,388)</b>                    | <b>157,921</b>                      | <b>156,533</b>                     |
| <b>Balance at 31 March 2020</b>   | <b>(35,390)</b>                     | <b>(12,808)</b>                        | <b>(11,377)</b>                             | <b>(482)</b>  | <b>(60,057)</b>                   | <b>(1,072,323)</b>                  | <b>(1,132,380)</b>                 |

## Comprehensive Income and Expenditure Statement

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

| 2018/19                    |                       |                          |  | 2019/20                    |                       |                          |
|----------------------------|-----------------------|--------------------------|--|----------------------------|-----------------------|--------------------------|
| Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |  | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
| 314,563                    | (33,429)              | 281,134                  | Operations   | 330,491                    | (50,687)              | 279,804                  |
| 105,592                    | (68,565)              | 37,027                   | Customer   | 101,003                    | (63,804)              | 37,199                   |
| 32,531                     | (2,520)               | 30,011                   | Commissioning  | 13,970                     | (5,004)               | 8,966                    |
| 52,769                     | (39,724)              | 13,045                   | Resources  | 193,358                    | (180,426)             | 12,932                   |
| 30,696                     | (7,112)               | 23,584                   | Place  | 33,748                     | (9,547)               | 24,201                   |
| 3,995                      | (1,347)               | 2,648                    | Governance   | 5,593                      | (2,309)               | 3,284                    |
| 226,726                    | (140,292)             | 86,434                   | Integration Joint Board  | 236,387                    | (145,080)             | 91,307                   |
| 36,110                     | 7,146                 | 43,256                   | Corporate  | 60,479                     | (821)                 | 59,658                   |
| 116,789                    | (96,161)              | 20,628                   | Housing Revenue Account  | 125,133                    | (100,460)             | 24,673                   |
| <b>919,771</b>             | <b>(382,004)</b>      | <b>537,767</b>           | <b>Cost of Services</b>  | <b>1,100,162</b>           | <b>(558,138)</b>      | <b>542,024</b>           |
| 0                          | (72)                  | (72)                     | Other Operating Expenditure (note 8)                                     | 1,137                      | 0                     | 1,137                    |
| 97,751                     | (50,576)              | 47,175                   | Financing and Investment Income and Expenditure (note 9)                 | 104,027                    | (54,537)              | 49,490                   |
| 0                          | (480,930)             | (480,930)                | Taxation and Non Specific Grant Income (note 10)                         | 0                          | (501,268)             | (501,268)                |
| <b>1,017,522</b>           | <b>(913,582)</b>      | <b>103,940</b>           | <b>(Surplus) or Deficit on Provision of Services</b>                     | <b>1,205,326</b>           | <b>(1,113,943)</b>    | <b>91,383</b>            |
|                            |                       | (9,404)                  | (Surplus)/deficit on revaluation of Property, Plant and Equipment assets |                            |                       | (11,118)                 |
|                            |                       | 0                        | (Surplus)/deficit on revaluation of available for sale financial assets  |                            |                       | 0                        |
|                            |                       | (4,617)                  | Actuarial (gains)/losses on pension assets/liabilities                   |                            |                       | 78,187                   |
|                            |                       | 5,059                    | Other (gains)/losses   |                            |                       | (1,919)                  |
|                            |                       | <b>(8,962)</b>           | <b>Other Comprehensive Income and Expenditure</b>                        |                            |                       | <b>65,150</b>            |
|                            |                       | <b>94,978</b>            | <b>Total Comprehensive Income and Expenditure</b>                        |                            |                       | <b>156,533</b>           |

## 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

| <b>1 April 2018</b><br><b>£'000</b> | <b>31 March 2019</b><br><b>£'000</b> |                                      | <b>Note</b> | <b>31 March 2020</b><br><b>£'000</b> |
|-------------------------------------|--------------------------------------|--------------------------------------|-------------|--------------------------------------|
| 2,311,324                           | 2,438,886                            | Property, Plant & Equipment          | 28          | 2,154,702                            |
| 197,370                             | 197,691                              | Heritage Assets                      | 27          | 197,819                              |
| 148,592                             | 145,832                              | Investment Property                  | 26          | 538,156                              |
| 18,076                              | 17,638                               | Long Term Investments                | 38          | 16,932                               |
| 8,222                               | 7,592                                | Long Term Debtors                    | 38          | 7,539                                |
| <b>2,683,584</b>                    | <b>2,807,639</b>                     | <b>Long Term Assets</b>              |             | <b>2,915,148</b>                     |
|                                     |                                      |                                      |             |                                      |
| 56,202                              | 70,520                               | Cash and Cash Equivalents            | 17          | 101,542                              |
| 98,705                              | 45,213                               | Short Term Investments               | 38          | 50,454                               |
| 77,292                              | 92,158                               | Short Term Debtors                   | 33          | 94,760                               |
| 1,174                               | 1,832                                | Inventories                          | 32          | 2,017                                |
| 6,198                               | 5,693                                | Assets Held for Sale                 | 31          | 3,656                                |
| <b>239,571</b>                      | <b>215,416</b>                       | <b>Current Assets</b>                |             | <b>252,429</b>                       |
|                                     |                                      |                                      |             |                                      |
| (79,435)                            | (197,228)                            | Short Term Borrowing                 | 38          | (213,138)                            |
| (78,613)                            | (80,860)                             | Short Term Creditors                 | 34          | (95,301)                             |
| (5,758)                             | (5,259)                              | Short Term Provisions                | 35          | (2,253)                              |
| (3,222)                             | (4,230)                              | PPP Short Term Liabilities           | 30          | (3,020)                              |
| (5,607)                             | (5,607)                              | Accumulated Absences Account         | 13          | (6,129)                              |
| (578)                               | (2,989)                              | Grants Receipts in Advance - Revenue | 37          | (712)                                |
| (7,855)                             | (13,091)                             | Grants Receipts in Advance - Capital | 37          | (25,529)                             |
| <b>(181,068)</b>                    | <b>(309,264)</b>                     | <b>Current Liabilities</b>           |             | <b>(346,082)</b>                     |

| <b>1 April 2018<br/>£'000</b> | <b>31 March 2019<br/>£'000</b> |                                  | <b>Note</b> | <b>31 March 2020<br/>£'000</b> |
|-------------------------------|--------------------------------|----------------------------------|-------------|--------------------------------|
| (890,982)                     | (895,954)                      | Long Term Borrowing              | 38          | (1,021,809)                    |
| (58,425)                      | (58,029)                       | Finance Lease                    | 25          | (57,602)                       |
| (108)                         | (13)                           | Long Term Creditors              | 38          | 0                              |
| (679)                         | (551)                          | Long Term Provisions             | 35          | (613)                          |
| (97,751)                      | (138,223)                      | PPP Long Term Liabilities        | 30          | (135,202)                      |
| (310,251)                     | (332,108)                      | Pension Liabilities              | 22          | (473,889)                      |
| <b>(1,358,196)</b>            | <b>(1,424,878)</b>             | <b>Long Term Liabilities</b>     |             | <b>(1,689,115)</b>             |
|                               |                                |                                  |             |                                |
| <b>1,383,891</b>              | <b>1,288,913</b>               | <b>Net Assets</b>                |             | <b>1,132,380</b>               |
|                               |                                |                                  |             |                                |
|                               |                                | Usable Reserves:                 |             |                                |
| (40,697)                      | (35,054)                       | General Fund Balance             |             | (35,390)                       |
| (11,808)                      | (12,308)                       | Housing Revenue Account          |             | (12,808)                       |
| (13,460)                      | (10,825)                       | Statutory and Other Reserves     |             | (11,377)                       |
| 0                             | (482)                          | Capital Grants Unapplied Account |             | (482)                          |
| (1,317,926)                   | (1,230,244)                    | Unusable Reserves                | 13          | (1,072,323)                    |
|                               |                                |                                  |             |                                |
| <b>(1,383,891)</b>            | <b>(1,288,913)</b>             | <b>Total Reserves</b>            |             | <b>(1,132,380)</b>             |



Jonathan Belford, CPFA  
Chief Officer - Finance

6 May 2020



**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.

| <b>2018/19</b><br><b>£'000</b> |  | <b>2019/20</b><br><b>£'000</b> |
|--------------------------------|--|--------------------------------|
|                                |  |                                |
| (103,940)                      | Net Surplus or (Deficit) on the provision of services  | (91,383)                       |
| 162,692                        | Adjust net surplus or deficit on the provision of services for non cash movements (note 14)                                      | 195,596                        |
| (29,420)                       | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (29,486)                       |
| 29,332                         | Net cash flows from Operating Activities (note 14)   | 74,727                         |
| (119,469)                      | Net cash flows from Investing Activities (note 15)   | (165,306)                      |
| 104,455                        | Net cash flows from Financing Activities (note 16)   | 121,601                        |
| 14,318                         | Net increase or (decrease) in cash and cash equivalents  | 31,022                         |
|                                |  |                                |
| 56,202                         | Cash and cash equivalents at the beginning of the reporting period   | 70,520                         |
|                                |  |                                |
| <b>70,520</b>                  | <b>Cash and cash equivalents at the end of the reporting period (note 17)</b>  | <b>101,542</b>                 |

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

The Annual Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year ended 31 March 2020. 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 2019/20 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 and services is recognised in accordance with the terms and conditions of the contract;
- 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; and
- 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.

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 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 amortisation are therefore replaced by loans fund principal charges in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**vi Employee Benefits**Benefits Payable during Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Operations 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 1.7%.
- 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 approved. 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.

#### **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 several 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 according to the business model to which they relate. The business model determines how the asset will be treated in the financial statements

1. Financial assets measured at amortised cost. These are assets held for the purpose of collecting contractual cash flows. This category includes short term investments and long-term loans granted. An impairment allowance may be calculated based on materiality and circumstance of asset.
2. Financial assets measured at fair value through profit and loss. This includes any financial assets held for purposes other than collecting contractual cash flows and selling the asset. Shares in group entities fall into this classification.

### Financial assets measured at amortised cost

Loans 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. Where an impairment allowance is made this will be charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### Financial assets measured at fair value through profit and loss

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 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 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 will be charged to the General Fund using the method outlined above.

#### **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 valuation. 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 valuation. 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 valuation. 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 valuation 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 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.

### **xiv 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.

### **xv 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.

### **xvi 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.

### **xvii 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.

**xviii 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.

## xix 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 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. 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 at cost, where appropriate
- 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, except for the valuation of a new investment property, The Events Complex Aberdeen, as valuation at fair value is uncertain at this time, this investment property has been measured at cost..*

**\*\*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:

- 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 an asset is no longer held for the purposes of generating cash flows 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.

**xx 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.

#### **xxi 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.

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### 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.

### **xxii 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 set 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.

### **xxiii Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does 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.

### **xxiv 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.

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**xxv New accounting standards**

The Code of Practice on Local Authority accounting for 2019/20 was revised to include the latest International Financial Reporting Standards (IFRS) coming into effect:

- Amendments to IAS 40 Investment Property; Transfers of Investment Property
- Annual Improvements to the IFRS Standards 2014-16 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment features with negative compensation

These changes have been considered as part of the preparation of the Council's accounts for 2019/20 and neither are considered to have a material impact on the financial statement.

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by The Code:

- IFRS 16 Leases will require local authorities that are lessees to recognise these leases on their balance sheets as right-of-use assets along with the corresponding lease liabilities, except for low value and short-term leases. As a result of the current Covid-19 response CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2021.
- IAS 28 Investments in Associates and Joint Ventures: Long Term Interests in Associates and Joint Ventures. This amendment clarifies that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. This will have no impact on the Council as it already complies.
- IAS 19 Employee Benefits: Plan amendment, curtailment or settlement – this specifies how organisations determine pension expenses when changes to a defined benefit pension plan occur.



### 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 Lochside Academy, 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 £192 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 2020 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 £26.3m.<br><br>If the investment yield is reduced by 0.25%, this would lead to a corresponding increase in the total value of council dwellings of £27.8m.                           |

| Item                       | Uncertainties   | Effect if Actual Results Differ from Assumptions   |
|----------------------------|---|--|
| Aberdeen City Council Bond | The Council undertook a bond issuance from the Debt Capital Markets in November 2016. £370 million of index-linked bonds were issued to investors. The outstanding bonds are subject to indexation, which is based on movements in the Retail Price Index (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 £4 million in amounts repayable.   |
| 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 £35.2 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 £35.9 million. The interaction of assumptions is therefore extremely complex. See note 22 for further assumptions. |
| Arrears                    | At 31 March 2020 the Council had a balance of short term debtors of £94.760 million. This is net of an allowance for the impairment of debt of £68.868 million.   | If collection rates were to deteriorate, an increase of 1% on impairment would require a further provision of £0.948 million.  |

## 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.

| 2018/19  | Usable Reserves               |                                  |                                     |                                   |   | Movement in Unusable Reserves<br>£'000 |
|--|-------------------------------|----------------------------------|-------------------------------------|-----------------------------------|---|--|
|  | General Fund Balance<br>£'000 | Housing Revenue Account<br>£'000 | Statutory & Other Reserves<br>£'000 | Capital Receipts Reserve<br>£'000 | Capital Grants Unapplied Account<br>£'000 |  |
| <b>Adjustments involving the Capital Adjustment Account (CAA):</b>   |                               |                                  |                                     |                                   |   |  |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>   |                               |                                  |                                     |                                   |   |  |
| Charges for depreciation and impairment of non current assets  | (41,683)                      | (30,160)                         | 0                                   | 0                                 | 0   | 71,843                                 |
| Revaluation losses on Property, Plant and Equipment  | (41,961)                      | (24,015)                         | 0                                   | 0                                 | 0   | 65,976                                 |
| Capital grants and contributions applied   | 37,333                        | 4,764                            | 0                                   | 0                                 | 0   | (42,097)                               |
| Write off carrying amount of non current assets sold   | (907)                         | (84)                             | 0                                   | 0                                 | 0   | 991                                    |
| Write off carrying amount of non current assets scrapped   | (420)                         | 0                                | 0                                   | 0                                 | 0   | 420                                    |
| Statutory provision for the financing of Capital spend (3R's)  | 4,537                         | 0                                | 0                                   | 0                                 | 0   | (4,537)                                |
| Movement in the fair value of Investment Properties  | (2,822)                       | 0                                | 0                                   | 0                                 | 0   | 2,822                                  |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>  |                               |                                  |                                     |                                   |   |  |
| Loan principal repayments during the year  | 9,533                         | 4,483                            | 0                                   | 0                                 | 0   | (14,016)                               |
| Capital expenditure charged against the General Fund and HRA balances and other statutory funds  | (4,103)                       | 14,440                           | 0                                   | 0                                 | 0   | (10,337)                               |
| <b>Adjustments involving the Capital Receipts Reserve:</b>   |                               |                                  |                                     |                                   |   |  |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | 0                             | 0                                | (663)                               | 1,065                             | 0   | (402)                                  |
| Proceeds from sale of non current assets   | 971                           | 745                              | 0                                   | (1,716)                           | 0   | 0                                      |
| Contribution from Capital Receipts Reserve towards the administrative costs of non current asset disposals   | (149)                         | (502)                            | 0                                   | 651                               | 0   | 0                                      |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b>   |                               |                                  |                                     |                                   |   |  |
| Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 429                           | 0                                | 0                                   | 0                                 | 0   | (429)                                  |
| <b>Adjustments involving the Pensions Reserve:</b>   |                               |                                  |                                     |                                   |   |  |
| Reversal of items relating to retirement benefits debited or credited to the CIES  | (60,683)                      | (1,680)                          | 0                                   | 0                                 | 0   | 62,363                                 |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | 34,785                        | 1,104                            | 0                                   | 0                                 | 0   | (35,889)                               |
| <b>Adjustments involving the Accumulated Absences Account:</b>   |                               |                                  |                                     |                                   |   |  |
| Adjustments in relation to short term compensated absences   | 0                             | 0                                | 0                                   | 0                                 | 0   | 0                                      |
| <b>Total Adjustments</b>   | <b>(65,140)</b>               | <b>(30,905)</b>                  | <b>(663)</b>                        | <b>0</b>                          | <b>0</b>                                  | <b>96,708</b>                          |

| 2019/20  | Usable Reserves               |                                  |                                     |                                   |          | Capital Grants Unapplied Account<br>£'000 | Movement in Unusable Reserves<br>£'000 |
|--|-------------------------------|----------------------------------|-------------------------------------|-----------------------------------|----------|---|--|
|  | General Fund Balance<br>£'000 | Housing Revenue Account<br>£'000 | Statutory & Other Reserves<br>£'000 | Capital Receipts Reserve<br>£'000 |          |   |  |
| <b>Adjustments involving the Capital Adjustment Account (CAA):</b>   |                               |                                  |                                     |                                   |          |   |  |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>   |                               |                                  |                                     |                                   |          |   |  |
| Charges for depreciation and impairment of non current assets  | (41,920)                      | (31,900)                         | 0                                   | 0                                 | 0        | 73,820                                    |  |
| Revaluation losses on Property, Plant and Equipment  | (3,414)                       | (32,147)                         | 0                                   | 0                                 | 0        | 35,561                                    |  |
| Capital grants and contributions applied   | 42,697                        | 1,483                            | 0                                   | 0                                 | 0        | (44,180)                                  |  |
| Write off carrying amount of non current assets sold   | (1,837)                       | (111)                            | 0                                   | 0                                 | 0        | 1,948                                     |  |
| Write off carrying amount of non current assets scrapped   | 0                             | 0                                | 0                                   | 0                                 | 0        | 0   |  |
| Statutory provision for the financing of Capital spend (3R's)  | 4,627                         | 0                                | 0                                   | 0                                 | 0        | (4,627)                                   |  |
| Movement in the fair value of Investment Properties  | 429                           | 0                                | 0                                   | 0                                 | 0        | (429)                                     |  |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure</u>  |                               |                                  |                                     |                                   |          |   |  |
| Loan principal repayments during the year  | 3,993                         | 1,563                            | 0                                   | 0                                 | 0        | (5,556)                                   |  |
| Capital expenditure charged against the General Fund and HRA balances and other statutory funds  | (1,340)                       | 30,496                           |                                     | 0                                 | 0        | (29,156)                                  |  |
| <b>Adjustments involving the Capital Receipts Reserve:</b>   |                               |                                  |                                     |                                   |          |   |  |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | 0                             | 0                                | (853)                               | 813                               | 0        | 40  |  |
| Proceeds from sale of non current assets   | 1,324                         | 111                              | 0                                   | (1,435)                           | 0        | 0   |  |
| Contribution from Capital Receipts Reserve towards the administrative costs of non current asset   | (130)                         | (492)                            | 0                                   | 622                               | 0        | 0   |  |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b>   |                               |                                  |                                     |                                   |          |   |  |
| Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 431                           | 0                                | 0                                   | 0                                 | 0        | (431)                                     |  |
| <b>Adjustments involving the Pensions Reserve:</b>   |                               |                                  |                                     |                                   |          |   |  |
| Reversal of items relating to retirement benefits debited or credited to the CIES  | (96,050)                      | (1,576)                          | 0                                   | 0                                 | 0        | 97,626                                    |  |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | 33,112                        | 920                              | 0                                   | 0                                 | 0        | (34,032)                                  |  |
| <b>Adjustments involving the Accumulated Absences Account:</b>   |                               |                                  |                                     |                                   |          |   |  |
| Adjustments in relation to short term compensated absences   | (523)                         | 1                                | 0                                   | 0                                 | 0        | 522                                       |  |
| <b>Total Adjustments</b>   | <b>(58,601)</b>               | <b>(31,652)</b>                  | <b>(853)</b>                        | <b>0</b>                          | <b>0</b> | <b>91,106</b>                             |  |

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

**Earmarked Reserves:** This note sets out the amounts set aside from the General Fund and Housing Revenue Account (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<br>31 March 2018<br>£'000 | Transfers In<br>2018/19<br>£'000 | Transfers Out<br>2018/19<br>£'000 | Balance at<br>31 March 2019<br>£'000 | Transfers In<br>2019/20<br>£'000 | Transfers Out<br>2019/20<br>£'000 | Balance at<br>31 March 2020<br>£'000 | Purpose of the Earmarked Reserve  |
|---|--------------------------------------|----------------------------------|-----------------------------------|--------------------------------------|----------------------------------|-----------------------------------|--------------------------------------|---|
| <b>General Fund:</b>                              |                                      |                                  |                                   |                                      |                                  |                                   |                                      |   |
| Devolved Education Management (Community Centres) | (562)                                | 0                                | 20                                | (542)                                |                                  |                                   | (542)                                | Community Education Centres funds c/forward   |
| Devolved Education Management (School Funds)      | (993)                                | (98)                             | 829                               | (262)                                |                                  | 138                               | (124)                                | School funds c/forward  |
| Mithier Kirk - Reburial of Remains                | (38)                                 | 0                                | 13                                | (25)                                 |                                  | 25                                | 0                                    | Reburial of Human Remains   |
| Business Plan Service Option                      | (153)                                | 0                                | 153                               | 0                                    |                                  |                                   | 0                                    | Investment regarding delivery of 5 year business plan   |
| Star Awards Sponsorship                           | (25)                                 | 0                                | 19                                | (6)                                  | (6)                              | 6                                 | (6)                                  | 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 |
| Xerox Print Contract                              | (100)                                | 0                                | 87                                | (13)                                 |                                  | 13                                | 0                                    | 2016/17 rebate from Xerox to fund various Data projects   |
| Energy Efficiency Fund                            | (1,146)                              | 0                                | 0                                 | (1,146)                              | (108)                            |                                   | (1,254)                              | Pump-prime funding for energy saving schemes  |
| Bus Lane Enforcement                              | (891)                                | (185)                            | 288                               | (788)                                |                                  | 415                               | (373)                                | As required by the relevant legislation, net income from Bus Lane Enforcement to facilitate the objective's of the Local Transport Strategy                       |
| Property Transfer                                 | (129)                                | 0                                | 27                                | (102)                                |                                  |                                   | (102)                                | Funding in relation to the transfer of Thomas Blake Glover House to the Council   |
| Second/Long Term Empty Homes                      | (8,304)                              | (2,160)                          | 0                                 | (10,464)                             | (2,272)                          |                                   | (12,736)                             | Additional income generated by reducing the discounts which is to be used towards funding affordable housing.   |
| Mens Shed   | (5)                                  | 0                                | 5                                 | 0                                    |                                  |                                   | 0                                    | Contribution to Men's Shed social club, Dyce  |
| HMT Roof Works                                    | (126)                                | 0                                | 91                                | (35)                                 |                                  | 35                                | 0                                    | HMT Roof Works  |
| Developing Young Workforce                        | 0                                    | (90)                             | 0                                 | (90)                                 |                                  | 90                                | 0                                    | To prepare young adults for the transition from education to the workplace  |
| De-risk the Council                               | (2,505)                              | 0                                | 2,100                             | (405)                                | (1,406)                          |                                   | (1,811)                              | Cash backing for Council guarantees to external organisations   |
| Transformation Fund                               | (11,232)                             | 0                                | 4,229                             | (7,003)                              |                                  | 3,548                             | (3,455)                              | Funding set aside towards the ongoing transformation of the Council   |
| Pupil Equity Fund                                 | (1,621)                              | (1,192)                          | 1,618                             | (1,195)                              | (925)                            | 1,195                             | (925)                                | Scottish Government Grant to raise attainment in Schools  |
| 18/19 RSG Redetermination                         | (1,211)                              | 0                                | 0                                 | (1,211)                              |                                  | 1,211                             | 0                                    | Scottish Government Grant carried forward   |
| <b>Sub Total</b>                                  | <b>(29,041)</b>                      | <b>(3,725)</b>                   | <b>9,479</b>                      | <b>(23,287)</b>                      | <b>(4,717)</b>                   | <b>6,676</b>                      | <b>(21,328)</b>                      |   |

|   | Balance at<br>31 March 2018<br>£'000 | Transfers In<br>2018/19<br>£'000 | Transfers Out<br>2018/19<br>£'000 | Balance at<br>31 March 2019<br>£'000 | Transfers In<br>2018/19<br>£'000 | Transfers Out<br>2018/19<br>£'000 | Balance at<br>31 March 2019<br>£'000 | Purpose of the Earmarked Reserve   |
|---|--------------------------------------|----------------------------------|-----------------------------------|--------------------------------------|----------------------------------|-----------------------------------|--------------------------------------|--|
| <b>General Fund Continued</b>                   | <b>(29,041)</b>                      | <b>(3,725)</b>                   | <b>9,479</b>                      | <b>(23,287)</b>                      | <b>(4,717)</b>                   | <b>6,676</b>                      | <b>(21,328)</b>                      |  |
| Community Justice Redesign Post                 | (12)                                 | 0                                | 0                                 | (12)                                 |                                  |                                   | (12)                                 | Ring Fenced funding for this post. Year 2 & Year 3 costs will exceed grant so this reserve will be needed to cover additional costs.   |
| Building Services IT Upgrade                    | (78)                                 | 0                                | 78                                | 0                                    |                                  |                                   | 0                                    | 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 |
| Approved Project Funding                        | (182)                                | 0                                | 39                                | (143)                                |                                  | 42                                | (101)                                | Funding carried forward to support a variety of projects, previously approved  |
| Contribution to Environmental Body              | 0                                    | (43)                             | 0                                 | (43)                                 |                                  |                                   | (43)                                 | To make payment to environmental body in due course, if required   |
| Various Projects 2019/20                        | 0                                    | (1,231)                          | 0                                 | (1,231)                              |                                  | 1,231                             | 0                                    | Provide funding to support a variety of projects approved in the 2019/20 Budget  |
| Repairs & Maintenance Fund                      |                                      |                                  |                                   | 0                                    | (900)                            |                                   | (900)                                | Provide funding to support a variety of projects approved in the 2020/21 Budget  |
| Public Analyst - James Hutton Institute         |                                      |                                  |                                   | 0                                    | (125)                            |                                   | (125)                                | Provide funds in 2020/21 to complete the Public Analyst move to James Hutton Institute   |
| Children's Social Work - Mental Health Services |                                      |                                  |                                   | 0                                    | (63)                             |                                   | (63)                                 | Provide ring fenced funding to support Children's Social Work - Mental Health Services.  |
| Rapid Rehousing Transition Plan                 |                                      |                                  |                                   | 0                                    | (311)                            |                                   | (311)                                | Provide ring fenced funding to support Rapid Housing Transition Plan.  |
| Additional Support for Learning                 |                                      |                                  |                                   | 0                                    | (507)                            |                                   | (507)                                | Provide Funding for Additional Support for Learning  |
| <b>Total General Fund</b>                       | <b>(29,313)</b>                      | <b>(4,999)</b>                   | <b>9,596</b>                      | <b>(24,716)</b>                      | <b>(6,623)</b>                   | <b>7,949</b>                      | <b>(23,390)</b>                      |  |
|   |                                      |                                  |                                   |                                      |                                  |                                   |                                      |  |
|   |                                      |                                  |                                   |                                      |                                  |                                   |                                      |  |
|   | Balance at<br>31 March 2018<br>£'000 | Transfers In<br>2018/19<br>£'000 | Transfers Out<br>2018/19<br>£'000 | Balance at<br>31 March 2019<br>£'000 | Transfers In<br>2019/20<br>£'000 | Transfers Out<br>2019/20<br>£'000 | Balance at<br>31 March 2020<br>£'000 | Purpose of the Earmarked Reserve   |
| <b>Housing Revenue Account (HRA):</b>           |                                      |                                  |                                   |                                      |                                  |                                   |                                      |  |
| Housing repairs                                 | (1,854)                              | (2,213)                          | 1,854                             | (2,213)                              | (1,718)                          | 2,213                             | (1,718)                              | Repairs ordered prior to the year end.   |
| House Sales - Not right to buy                  | (308)                                | (309)                            | 309                               | (308)                                | 0                                | 0                                 | (308)                                | One-off vacant properties sold on open market.   |
| <b>Total HRA</b>                                | <b>(2,162)</b>                       | <b>(2,522)</b>                   | <b>2,163</b>                      | <b>(2,521)</b>                       | <b>(1,718)</b>                   | <b>2,213</b>                      | <b>(2,026)</b>                       |  |
|   |                                      |                                  |                                   |                                      |                                  |                                   |                                      |  |
| <b>Total Earmarked Reserves</b>                 | <b>(31,475)</b>                      | <b>(7,521)</b>                   | <b>11,759</b>                     | <b>(27,237)</b>                      | <b>(8,341)</b>                   | <b>10,162</b>                     | <b>(25,416)</b>                      |  |

|  | General Fund | HRA          |  | General Fund | HRA        |
|--|--------------|--------------|--|--------------|------------|
| 2018/19  | £'000        | £'000        | 2019/20  | £'000        | £'000      |
| Total Transfers in during the year                   | (4,999)      | (2,522)      | Total Transfers in during the year                   | (6,623)      | (1,718)    |
| Total Transfers out during the year                  | 9,596        | 2,163        | Total Transfers out during the year                  | 7,949        | 2,213      |
| <b>Net Movement in Earmarked Reserves in 2018/19</b> | <b>4,597</b> | <b>(359)</b> | <b>Net Movement in Earmarked Reserves in 2019/20</b> | <b>1,326</b> | <b>495</b> |

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

| Name of Fund                           | Balance at<br>1 April 2018<br>£'000 | Transfers In<br>2018/19<br>£'000 | Transfers Out<br>2018/19<br>£'000 | Balance at<br>31 March<br>2019<br>£'000 | Transfers In<br>2019/20<br>£'000 | Transfers Out<br>2019/20<br>£'000 | Balance at<br>31 March<br>2020<br>£'000 | Purpose of the Earmarked Reserve  |
|--|-------------------------------------|----------------------------------|-----------------------------------|---|----------------------------------|-----------------------------------|---|---|
| Capital                                | (11,794)                            | (8,127)                          | 11,346                            | (8,575)                                 | (941)                            | 402                               | (9,114)                                 | To meet the capital expenditure and the repayment of the principal on loans         |
| Insurance                              | (1,339)                             | (702)                            | 125                               | (1,916)                                 | (461)                            | 444                               | (1,933)                                 | To meet the cost of uninsured claims  |
| City Improvement                       | (336)                               | (4)                              | 11                                | (329)                                   | (3)                              | 7                                 | (325)                                   | To meet the cost of carrying out improvements to the city as decided by the Council |
| Lord Byron                             | (5)                                 | 0                                | 0                                 | (5)                                     | 0                                | 0                                 | (5)                                     | To meet the costs of maintaining Lord Byron's statue                                |
| <b>Total Statutory and Other Funds</b> | <b>(13,474)</b>                     | <b>(8,833)</b>                   | <b>11,482</b>                     | <b>(10,825)</b>                         | <b>(1,405)</b>                   | <b>853</b>                        | <b>(11,377)</b>                         |   |

## 7. 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.

| 2018/19   |  |                                   | 2019/20  |   |  |                                   |
|---|--|-----------------------------------|--|---|--|-----------------------------------|
| Net Expenditure chargeable to General Fund & HRA balances £'000 | Adjustments between funding & Accounting basis | Net Expenditure in the CIES £'000 | Services   | Net Expenditure chargeable to General Fund & HRA balances £'000 | Adjustments between funding & Accounting basis | Net Expenditure in the CIES £'000 |
| 231,281   | 49,853   | 281,134                           | Operations   | 257,240   | 22,564   | 279,804                           |
| 32,273  | 4,754  | 37,027                            | Customer   | 31,852  | 5,347  | 37,199                            |
| 28,741  | 1,270  | 30,011                            | Commissioning  | 8,086   | 880  | 8,966                             |
| 5,785   | 7,260  | 13,045                            | Resources  | 6,246   | 6,686  | 12,932                            |
| 13,666  | 9,918  | 23,584                            | Place  | 15,533  | 8,668  | 24,201                            |
| 2,421   | 227  | 2,648                             | Governance   | 2,994   | 290  | 3,284                             |
| 84,995  | 1,439  | 86,434                            | Integration Joint Board                                      | 89,432  | 1,875  | 91,307                            |
| 34,934  | 8,322  | 43,256                            | Corporate  | 24,056  | 35,602   | 59,658                            |
| (14,966)  | 35,594   | 20,628                            | Housing Revenue Account                                      | (7,747)   | 32,420   | 24,673                            |
| <b>419,130</b>  | <b>118,637</b>                                 | <b>537,767</b>                    | <b>Net Cost of Services</b>                                  | <b>427,692</b>  | <b>114,332</b>                                 | <b>542,024</b>                    |
| (411,176)   | (22,651)                                       | (433,827)                         | Other Income and Expenditure                                 | (426,563)   | (24,078)                                       | (450,641)                         |
| 7,954   | 95,986   | 103,940                           | <b>(Surplus) or Deficit on Provision of Services</b>         | <b>1,129</b>  | <b>90,254</b>                                  | <b>91,383</b>                     |
| (52,505)  |  |                                   | Opening General Fund and HRA Balance at 31 March 2019        | (47,362)  |  |                                   |
| 7,954   |  |                                   | (Surplus)/deficit on General Fund and HRA Balance in Year    | 1,129   |  |                                   |
| (2,811)   |  |                                   | To/From Other Statutory Reserves                             | (1,965)   |  |                                   |
| (47,362)  |  |                                   | <b>Closing General Fund and HRA Balance at 31 March 2020</b> | <b>(48,198)</b>   |  |                                   |



**Note 7. Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2018/19**

|  | <b>Adjustments for<br/>Capital Purposes</b> | <b>Net Change for the<br/>Pensions Adjustments</b> | <b>Other<br/>Differences</b> | <b>Total<br/>Adjustments</b> |
|--|---|--|------------------------------|------------------------------|
|  | <b>£'000</b>                                | <b>£'000</b>                                       | <b>£'000</b>                 | <b>£'000</b>                 |
| Operations   | 49,285                                      | 5,214  | (4,646)                      | 49,853                       |
| Customer   | 3,385                                       | 1,515  | (146)                        | 4,754                        |
| Commissioning  | 1,093                                       | 278  | (101)                        | 1,270                        |
| Resources  | 10,039                                      | 736  | (3,515)                      | 7,260                        |
| Place  | 10,119                                      | 616  | (817)                        | 9,918                        |
| Governance   | 20  | 207  | 0                            | 227                          |
| Integration Joint Board  | 522   | 1,080  | (163)                        | 1,439                        |
| Corporate  | 433   | 7,889  | 0                            | 8,322                        |
| Housing Revenue Account  | 54,175                                      | 342  | (18,923)                     | 35,594                       |
| <b>Net Cost of Services</b>  | <b>129,071</b>                              | <b>17,877</b>                                      | <b>(28,311)</b>              | <b>118,637</b>               |
| Other Income and Expenditure from the Funding Analysis   | (30,006)                                    | 8,597  | (1,242)                      | (22,651)                     |
| <b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6)</b> | <b>99,065</b>                               | <b>26,474</b>                                      | <b>(29,553)</b>              | <b>95,986</b>                |

**Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2019/20**

|  | <b>Adjustments for<br/>Capital Purposes</b> | <b>Net Change for the<br/>Pensions Adjustments</b> | <b>Other<br/>Differences</b> | <b>Total<br/>Adjustments</b> |
|--|---|--|------------------------------|------------------------------|
|  | <b>£'000</b>                                | <b>£'000</b>                                       | <b>£'000</b>                 | <b>£'000</b>                 |
| Operations   | 13,121                                      | 8,836  | 607                          | 22,564                       |
| Customer   | 3,931                                       | 1,815  | (399)                        | 5,347                        |
| Commissioning  | 657   | 275  | (52)                         | 880                          |
| Resources  | 5,859                                       | 857  | (30)                         | 6,686                        |
| Place  | 8,064                                       | 803  | (199)                        | 8,668                        |
| Governance   | 20  | 270  | 0                            | 290                          |
| Integration Joint Board  | 524   | 1,392  | (41)                         | 1,875                        |
| Corporate  | 14  | 39,472   | (3,884)                      | 35,602                       |
| Housing Revenue Account  | 64,047                                      | 433  | (32,060)                     | 32,420                       |
| <b>Net Cost of Services</b>  | <b>96,237</b>                               | <b>54,153</b>                                      | <b>(36,058)</b>              | <b>114,332</b>               |
| Other Income and Expenditure from the Funding Analysis   | (32,952)                                    | 9,441  | (567)                        | (24,078)                     |
| <b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6)</b> | <b>63,285</b>                               | <b>63,594</b>                                      | <b>(36,625)</b>              | <b>90,254</b>                |

**8. Comprehensive Income & Expenditure Statement - Other Operating Expenditure**

| <b>2018/19</b><br><b>£'000</b> |   | <b>2019/20</b><br><b>£'000</b> |
|--------------------------------|---|--------------------------------|
| (72)                           | Gains on the disposal on non current assets | 1,137                          |
| <b>(72)</b>                    | <b>Total</b>                                | <b>1,137</b>                   |

**9. Comprehensive Income & Expenditure Statement - Financing and Investment Income and Expenditure**

| <b>2018/19</b><br><b>£'000</b> |   | <b>2019/20</b><br><b>£'000</b> |
|--------------------------------|---|--------------------------------|
| 49,868                         | Interest payable and similar charges  | 53,367                         |
| 7,600                          | Pensions interest cost and expected return on pensions assets                               | 8,239                          |
| (1,432)                        | Interest receivable and similar income  | (2,019)                        |
| (6,975)                        | Income and Expenditure in relation to investment properties and changes in their fair value | (6,800)                        |
| (1,886)                        | Other Investment income   | (3,297)                        |
| <b>47,175</b>                  | <b>Total</b>  | <b>49,490</b>                  |

**10. Comprehensive Income & Expenditure Statement - Taxation and Non Specific Grant Income**

| <b>2018/19</b><br><b>£'000</b> |                                       | <b>2019/20</b><br><b>£'000</b> |
|--------------------------------|---------------------------------------|--------------------------------|
| (116,521)                      | Council Tax Income                    | (122,817)                      |
| (227,801)                      | Non domestic rates                    | (262,344)                      |
| (94,028)                       | Non ring-fenced government grants     | (71,926)                       |
| (42,097)                       | Capital grants and contributions      | (44,181)                       |
| (483)                          | Capital grants and receipts unapplied | 0                              |
| <b>(480,930)</b>               | <b>Total</b>                          | <b>(501,268)</b>               |

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

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. There are no material items for 2019/20.

**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**

| <b>31 March 2019</b> |  | <b>31 March 2020</b> |
|----------------------|--|----------------------|
| <b>£'000</b>         |  | <b>£'000</b>         |
| (960,317)            | Revaluation Reserve                      | (947,601)            |
| (622,668)            | Capital Adjustment Account               | (619,335)            |
| 15,026               | Financial Instruments Adjustment Account | 14,595               |
| 332,108              | Pensions Reserve                         | 473,889              |
| 5,607                | Accumulated Absences Account             | 6,129                |
| <b>(1,230,244)</b>   | <b>Total</b>                             | <b>(1,072,323)</b>   |

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.

| 2018/19  |                  |   | 2019/20  |                  |
|----------|------------------|---|----------|------------------|
| £'000    | £'000            |   | £'000    | £'000            |
|          | <b>(977,286)</b> | <b>Balance at 1 April</b>   |          | <b>(960,317)</b> |
| (27,756) |                  | Upward revaluation of assets  | (35,674) |                  |
| 18,352   |                  | Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services   | 24,555   |                  |
|          | (9,404)          | Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services |          | (11,119)         |
| 25,858   |                  | Difference between fair value depreciation and historical cost depreciation   | 23,764   |                  |
| 515      |                  | Accumulated gains on assets sold or scrapped  | 71       |                  |
|          | 26,373           |   |          | 23,835           |
|          | 0                | Amounts written off to the Capital Adjustment Account   |          | 0                |
|          | <b>(960,317)</b> | <b>Balance at 31 March</b>  |          | <b>(947,601)</b> |

#### 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 amortisation 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.

| 2018/19<br>£'000 |  | 2019/20  |                  |
|------------------|--|----------|------------------|
|                  |  | £'000    | £'000            |
| <b>(672,674)</b> | <b>Balance at 1 April</b>  |          | <b>(622,668)</b> |
|                  | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                                   |          |                  |
| 71,843           | Charges for depreciation and impairment on non current assets  | 73,820   |                  |
| 65,976           | Revaluation losses on Property, Plant and Equipment  | 35,562   |                  |
| 1,411            | 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       | 1,949    |                  |
| 139,230          |  | 111,331  |                  |
| (26,372)         | Adjusting amounts written out of the Revaluation Reserve   | (23,835) |                  |
| 112,858          | Net written out amount of the cost of non current assets consumed in the year  |          | 87,496           |
|                  | Capital financing applied in the year:   |          |                  |
| (400)            | Use of the Capital Receipts Reserve to finance new capital expenditure   | 40       |                  |
| (42,097)         | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing                    | (44,180) |                  |
| (14,016)         | Loans Fund principal repayments  | (5,557)  |                  |
| (15,107)         | Capital expenditure charged against the General Fund and HRA balances  | (31,156) |                  |
| (4,537)          | Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements | (4,626)  |                  |
| (76,157)         |  |          | (85,479)         |
| 0                | Deferred Capital Receipt   |          | 0                |
| 2,822            | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                               |          | (430)            |
| 5,713            | Written off  |          | (254)            |
| 4,770            | Grant Funding  |          | 2,000            |
| <b>(622,668)</b> | <b>Balance at 31 March</b>   | <b>0</b> | <b>(619,335)</b> |

The Capital Adjustment 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.

| 2018/19       |   | 2019/20 |               |
|---------------|---|---------|---------------|
| £'000         |   | £'000   | £'000         |
| 15,455        | <b>Balance at 1 April</b>   |         | <b>15,026</b> |
|               | Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements                                |         |               |
| (32)          | Long Term Borrowing – Stepped Loans   | (33)    |               |
| (397)         | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements  | (398)   |               |
| (429)         | 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 |         | (431)         |
| <b>15,026</b> | <b>Balance at 31 March</b>  |         | <b>14,595</b> |

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.

| 2018/19        |  | 2019/20 |                |
|----------------|--|---------|----------------|
| £'000          |  | £'000   |                |
| 310,251        | <b>Balance at 1 April</b>  |         | <b>332,108</b> |
| (4,617)        | Remeasurements of the net defined benefit liability  |         | 78,187         |
| 62,363         | 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 |         | 97,626         |
| (35,889)       | Employer's pensions contributions and direct payments to pensioners payable in the year  |         | (34,032)       |
| <b>332,108</b> | <b>Balance at 31 March</b>   |         | <b>473,889</b> |

Accumulated Absences Account

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

| 2018/19<br>£'000 |   | 2019/20 |              |
|------------------|---|---------|--------------|
|                  |   | £'000   | £'000        |
| 5,607            | <b>Balance at 1 April</b>   |         | <b>5,607</b> |
| (5,607)          | Settlement or cancellation of accrual made at the end of the preceding year   | (5,607) |              |
| 5,607            | Amounts accrued at the end of the current year  | 6,129   |              |
| 0                | 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 |         | 522          |
| <b>5,607</b>     | <b>Balance at 31 March</b>  |         | <b>6,129</b> |

## 14. Cash Flow Statement – Operating Activities

| 2018/19          |  | 2019/20         |
|------------------|--|-----------------|
| £'000            |  | £'000           |
| (103,940)        | Net surplus or (deficit) on the provision of services ^  | (91,383)        |
| <b>(103,940)</b> |  | <b>(91,383)</b> |
|                  | <b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>   |                 |
| 71,843           | Depreciation   | 73,820          |
| 65,976           | Impairment, downward revaluations & non sale derecognitions  | 35,562          |
| (434)            | (Increase)/Decrease in Stock   | (185)           |
| (14,237)         | (Increase)/Decrease in Debtors   | (2,550)         |
| 9,769            | Increase/(Decrease) in Creditors   | 25,081          |
| 26,474           | Movement in Pension Liability  | 63,594          |
| 1,411            | Carrying amount of non current assets sold   | 1,949           |
| (932)            | Contributions to Other Reserves/Provisions   | (1,245)         |
| 2,822            | Movement in value of investment properties   | (430)           |
| <b>162,692</b>   |  | <b>195,596</b>  |
|                  | <b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b> |                 |
| (42,097)         | Receipt of Capital Grants and Contributions  | (44,180)        |
| (1,063)          | Proceeds from the sale of property, plant & equipment, investment property and intangible assets   | (811)           |
| 13,740           | Bond Effective Interest Rate Adjustment  | 15,506          |
| <b>(29,420)</b>  |  | <b>(29,485)</b> |
| <b>29,332</b>    | <b>Net cash flows from operating activities</b>  | <b>74,728</b>   |

^ includes the following:

| 2018/19  |                     | 2019/20  |
|----------|---------------------|----------|
| £'000    |                     | £'000    |
| 1,432    | Interest receivable | 2,019    |
| (49,868) | Interest payable    | (53,367) |



## 15. Cash Flow Statement – Investing Activities

| 2018/19          |  | 2019/20          |
|------------------|--|------------------|
| £'000            |  | £'000            |
| (216,558)        | Purchase of property, plant and equipment, investment properties and heritage assets                           | (205,762)        |
| 53,929           | Purchase/(Sale) of short term and long term investments  | (4,535)          |
| 1,715            | Proceeds from the sale of property, plant and equipment and investment properties                              | 1,433            |
| (652)            | Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals | (622)            |
| (42,097)         | Capital grants and contributions received  | 44,180           |
| <b>(203,663)</b> | <b>Net cash flows from investing activities</b>  | <b>(165,306)</b> |

## 16. Cash Flow Statement – Financing Activities

| 2018/19        |  | 2019/20        |
|----------------|--|----------------|
| £'000          |  | £'000          |
| (32)           | Other receipts from financing activities   | (32)           |
| (4,537)        | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts | (4,627)        |
| 0              | Repayment of amounts borrowed  | 0              |
| (13,740)       | Bond Effective Interest Rate Adjustment  | (15,506)       |
| 122,764        | New borrowings   | 141,766        |
| <b>104,455</b> | <b>Net cash flows from financing activities</b>  | <b>121,601</b> |

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

| 31 March 2019 |  | 31 March 2020  |
|---------------|--|----------------|
| £'000         |  | £'000          |
| 39            | Cash held by the Authority             | 38             |
| 70,481        | Bank current accounts                  | 101,504        |
| <b>70,520</b> | <b>Total cash and cash equivalents</b> | <b>101,542</b> |

## 18. Trading Operations

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

| Significant Trading Operations  |                              | 2017/18         | 2018/19         | 2019/20         | Cumulative (Surplus) /Deficit |
|---|------------------------------|-----------------|-----------------|-----------------|-------------------------------|
|   |                              | £'000           | £'000           | £'000           | £'000                         |
| <b>Provision and Management of Car Parking Facilities</b><br><br>Responsible for the management and operation of pay and display parking as well as policing the regime for dealing with decriminalised parking offences.<br>Cumulative surplus over the last three operational financial years: £10.554 million.   | <b>Turnover</b>              | (8,397)         | (7,869)         | (8,384)         |                               |
|   | <b>Expenditure</b>           | 5,075           | 4,981           | 4,480           |                               |
|   | <b>Interest</b>              | (124)           | (213)           | (103)           |                               |
|   | <b>Net (Surplus)/Deficit</b> | <b>(3,446)</b>  | <b>(3,101)</b>  | <b>(4,007)</b>  | <b>(10,554)</b>               |
|   |                              |                 |                 |                 |                               |
| <b>Letting of Industrial, Commercial and Other Properties</b><br><br>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.<br>Cumulative surplus in the last three financial years: £23.471 million. | <b>Turnover</b>              | (9,066)         | (11,908)        | (14,713)        |                               |
|   | <b>Expenditure</b>           | 4,681           | 2,752           | 8,803           |                               |
|   | <b>Exceptional Items</b>     | (4,651)         | 2,822           | (430)           |                               |
|   | <b>Interest</b>              | (660)           | (641)           | (460)           |                               |
|   | <b>Net (Surplus)/Deficit</b> | <b>(9,696)</b>  | <b>(6,975)</b>  | <b>(6,800)</b>  | <b>(23,471)</b>               |
|   |                              |                 |                 |                 |                               |
| <b>Net (Surplus)/Deficit on Significant Trading Operations</b>  |                              | <b>(13,142)</b> | <b>(10,076)</b> | <b>(10,807)</b> | <b>(34,025)</b>               |
|   |                              |                 |                 |                 |                               |
| Other Trading Operations  |                              | 2017/18         | 2018/19         | 2019/20         | Cumulative (Surplus) /Deficit |
|   |                              | £'000           | £'000           | £'000           | £'000                         |
| <b>Building and Maintenance</b><br><br>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.<br>Cumulative deficit over the last three financial years: £2.612 million.  | <b>Turnover</b>              | (29,401)        | (30,264)        | (30,915)        |                               |
|   | <b>Expenditure</b>           | 30,087          | 31,479          | 31,626          |                               |
|   | <b>Interest</b>              | 0               | 0               | 0               |                               |
|   | <b>Net (Surplus)/Deficit</b> | <b>686</b>      | <b>1,215</b>    | <b>711</b>      | <b>2,612</b>                  |

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.

|   | <b>2017/18</b><br><b>£'000</b> | <b>2018/19</b><br><b>£'000</b> | <b>2019/20</b><br><b>£'000</b> |
|---|--------------------------------|--------------------------------|--------------------------------|
| Net (Surplus)/Deficit on trading operations   | (12,456)                       | (8,576)                        | (10,097)                       |
| Investment Properties   | (9,696)                        | (6,975)                        | (6,800)                        |
| Other Investment Income   | (2,760)                        | (1,886)                        | (3,297)                        |
| <b>Net Surplus credited to Financing and Investment Income and Expenditure (note 9)</b> | <b>(12,456)</b>                | <b>(8,861)</b>                 | <b>(10,097)</b>                |

#### 19. Agency Services

The Council has an agreement with Scottish Water whereby it collects water and waste water charges in conjunction with collection of Council Tax. The income received from this service in 2019/20 was £760,750 (2018/19, £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

| <b>External Audit Fees</b>   | <b>2018/19</b> | <b>2019/20</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| Fees payable with regard to external audit services undertaken in accordance with the Code of Practice | 424            | 436            |
| Audit of financial statements of subsidiaries (Charitable Trusts) pursuant to legislation              | 9              | 9              |
| <b>Total</b>   | <b>433</b>     | <b>445</b>     |

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

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of 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 2019, the Council's own contributions equate to approximately 2.5%.

In 2019/20, the council paid £14.248 million to the Scottish Government in respect of teachers' pension costs, which represents 17.2% of teachers' pensionable pay from 1 April 2019 to 31 August, and 23% from 1 September until 31 March 2020. The figure for 2018/19 was £10.916 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 Main Fund was established under the Superannuation Fund Act 1972. It is a statutory scheme and is contracted out of the Second State Pension. It 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](http://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.

### Guaranteed Minimum Pension (GMP) Equalisation

In considering the potential impact of GMP equalization, the advice and responses provided by the Council's actuarial advisors and NESPF has been as follows:

- HM Treasury have stated that public sector schemes already have a method to equalize guaranteed minimum pension benefits therefore there is no allowance is made for this in the accounting liabilities. This is consistent with previous accounting disclosures.
- There is the possibility that all public sector schemes will require to index link GMP benefits in respect of those members who reach state pension age after April 2021. Government policy in this area is still to be determined. However, on this basis additional indexation liabilities have therefore been included included in the past service costs.

### The McCloud Court Case Judgement

Due to the timing of the Council's 2018/19 Annual Accounts, an estimate of the McCloud liabilities was not included, instead a contingent liability was noted. This year therefore, past service liabilities due to the McCloud judgement as at 31 March 2019 are included as a 'past service cost' calculated as at that date. The current service cost for 19/20 contains an allowance for the additional costs which arise from the judgement.

### 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<br>£'000 |                | Scottish Teachers Superannuation Scheme<br>£'000 |              |
|---|--|----------------|--|--------------|
|   | 2018/19                                  | 2019/20        | 2018/19  | 2019/20      |
| <b>Comprehensive Income and Expenditure Statement</b>   |  |                |  |              |
| <i>Cost of Services:</i>  |  |                |  |              |
| Service cost comprising:  |  |                |  |              |
| • current service cost  | 46,472                                   | 49,519         | 0  | 0            |
| • administration expenses   | 546                                      | 546            | 0  | 0            |
| • past service costs  | 45                                       | 33,603         | 0  | 0            |
| • loss from settlements / curtailments  | 7,700                                    | 5,719          | 0  | 0            |
| Financing and Investment Income and Expenditure   |  |                |  |              |
| • net interest expense  | 6,854                                    | 7,548          | 746  | 691          |
| <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>   | <b>61,617</b>                            | <b>96,935</b>  | <b>746</b>                                       | <b>691</b>   |
| <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>  |  |                |  |              |
| Remeasurement of the net defined benefit liability comprising:  |  |                |  |              |
| • return on plan assets (excluding the amount included in the net interest expense)   | (65,800)                                 | (88,100)       | 0  | 0            |
| • actuarial gains and losses arising on changes in demographic assumptions  | 0  | 0              | 0  | 0            |
| • actuarial gains and losses arising on changes in financial assumptions  | 60,126                                   | 169,931        | 1,057  | 1,775        |
| • other   | 0  | (5,223)        | 0  | (196)        |
| <b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>  | <b>55,943</b>                            | <b>173,543</b> | <b>1,803</b>                                     | <b>2,270</b> |
| <b>Movement in Reserves Statement</b>   |  |                |  |              |
| • reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (61,617)                                 | (96,935)       | (746)  | (691)        |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>   |  |                |  |              |
| • employers' contributions payable to scheme  | 31,783                                   | 30,261         | 0  | 0            |
| • retirement benefits payable to pensioners   | 2,406                                    | 2,070          | 1,700  | 1,701        |

### 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<br>£'000 |                  |                  | Includes: Discretionary Benefits<br>Arrangements<br>£'000 |                 |                 |
|--|--|------------------|------------------|---|-----------------|-----------------|
|  | 2017/18                                  | 2018/19          | 2019/20          | 2017/18   | 2018/19         | 2019/20         |
| Present value of the defined benefit obligation              | (1,545,476)                              | (1,660,387)      | (1,917,730)      | (46,241)  | (46,084)        | (47,198)        |
| Fair value of plan assets                                    | 1,264,781                                | 1,357,938        | 1,474,069        | 0   | 0               | 0               |
| Sub total  | (280,695)                                | (302,449)        | (443,661)        | (46,241)  | (46,084)        | (47,198)        |
| Scottish Teachers Superannuation Scheme                      | (29,556)                                 | (29,659)         | (30,228)         | 0   | 0               | 0               |
| <b>Net liability arising from defined benefit obligation</b> | <b>(310,251)</b>                         | <b>(332,108)</b> | <b>(473,889)</b> | <b>(46,241)</b>   | <b>(46,084)</b> | <b>(47,198)</b> |

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £473.889 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 2021 is £28.5 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2021 are £4.2 million.

**Assets and liabilities in relation to post employment benefits**

Reconciliation of fair value of the scheme (plan) assets:

|  | <b>Total Assets:<br/>Local Government Pension Scheme<br/>£'000</b>                            |                  | <b>Includes:<br/>Discretionary Benefits<br/>Arrangements<br/>£'000</b> |                |
|--|---|------------------|--|----------------|
|  | <b>2018/19</b>  | <b>2019/20</b>   | <b>2018/19</b>   | <b>2019/20</b> |
| <b>Opening fair value of scheme assets</b>   | <b>1,264,781</b>  | <b>1,357,938</b> | <b>0</b>   | <b>0</b>       |
| Interest income  | 32,820  | 32,543           | 0  | 0              |
| Remeasurement gain/(loss):   |   |                  |  |                |
| • The return on plan assets, excluding the amount included in the net interest expense | 65,800  | 88,100           | 0  | 0              |
| • Other  | (546)   | (546)            | 0  | 0              |
| Contributions from employer  | 34,189  | 32,331           | 2,361  | 2,389          |
| Contributions from employees into the scheme   | 8,297   | 8,285            | 0  | 0              |
| Benefits paid  | (47,403)  | (44,582)         | (2,361)  | (2,389)        |
| <b>Closing fair value of scheme assets</b>   | <b>1,357,938</b>  | <b>1,474,069</b> | <b>0</b>   | <b>0</b>       |
|  |   |                  |  |                |
|  | <b>Total Assets:<br/>Scottish Teachers Superannuation<br/>Scheme (All Unfunded)<br/>£'000</b> |                  |  |                |
|  | <b>2018/19</b>  | <b>2019/20</b>   |  |                |
| <b>Opening fair value of scheme assets</b>   | <b>0</b>  | <b>0</b>         |  |                |
| Contributions from employer  | 1,700   | 1,701            |  |                |
| Benefits paid  | (1,700)   | (1,701)          |  |                |
| <b>Closing fair value of scheme assets</b>   | <b>0</b>  | <b>0</b>         |  |                |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £120.643 million (2018/19, £98.621m).



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

|  | <b>Total Liabilities:<br/>Local Government Pension<br/>Scheme<br/>£'000</b> |                    | <b>Includes:<br/>Discretionary Benefits<br/>£'000</b> |                 |
|--|---|--------------------|---|-----------------|
|  | <b>2018/19</b>  | <b>2019/20</b>     | <b>2018/19</b>  | <b>2019/20</b>  |
| <b>Opening balance at 1 April</b>  | <b>(1,545,476)</b>  | <b>(1,660,387)</b> | <b>(46,241)</b>                                       | <b>(46,084)</b> |
| Current service cost   | (46,472)  | (49,519)           | 0   | 0               |
| Interest cost  | (39,674)  | (40,091)           | (1,171)   | (1,079)         |
| Contributions from scheme participants                                   | (8,297)   | (8,285)            | 0   | 0               |
| Remeasurement (gains) and losses:  |   |                    |   |                 |
| • Actuarial gains/losses arising from changes in demographic assumptions | 0   | 0                  | 0   | 0               |
| • Actuarial gains/losses arising from changes in financial assumptions   | (60,126)  | (169,931)          | (1,033)   | (2,610)         |
| • Other  | 0   | 5,223              | 0   | 186             |
| Past service cost  | (45)  | (33,603)           | 0   | 0               |
| Losses/(gains) on settlement/curtailment                                 | (7,700)   | (5,719)            | 0   | 0               |
| Benefits paid  | 47,403  | 44,582             | 2,361   | 2,389           |
| <b>Closing balance at 31 March</b>                                       | <b>(1,660,387)</b>  | <b>(1,917,730)</b> | <b>(46,084)</b>                                       | <b>(47,198)</b> |

|  | <b>Total Liabilities:<br/>Scottish Teachers<br/>Superannuation Scheme (All<br/>Unfunded)<br/>£'000</b> |                 |
|--|--|-----------------|
|  | <b>2018/19</b>   | <b>2019/20</b>  |
| <b>Opening balance at 1 April</b>  | <b>(29,556)</b>  | <b>(29,659)</b> |
| Interest cost  | (746)  | (691)           |
| Remeasurement (gains) and losses:  |  |                 |
| • Actuarial gains/losses arising from changes in demographic assumptions | 0  | 0               |
| • Actuarial gains/losses arising from changes in financial assumptions   | (1,057)  | (1,775)         |
| • Other  | 0  | 196             |
| Benefits paid  | 1,700  | 1,701           |
| <b>Closing balance at 31 March</b>                                       | <b>(29,659)</b>  | <b>(30,228)</b> |

## Local Government Pension Scheme assets comprised:

|                                  | Fair value of<br>scheme assets<br>2018/19<br>£'000 | %             | Fair value of<br>scheme assets<br>2019/20<br>£'000 | %             |
|----------------------------------|--|---------------|--|---------------|
| Cash and cash equivalents        | 54,996   | 4.1%          | 29,290   | 2.0%          |
| Equity instruments:              |  |               |  |               |
| • UK quoted and unquoted         | 238,184  |               | 232,249  |               |
| • Global quoted and unquoted     | 275,118  |               | 231,795  |               |
| • Global Frontier Fund           | 0  |               | 0  |               |
| • Pooled UK & Global             | 336,905  |               | 351,022  |               |
| Sub total equity                 | 850,207  | 62.6%         | 815,066  | 55.3%         |
| Bonds:                           |  |               |  |               |
| • Corporate                      | 16,838   |               | 28,547   |               |
| • Government                     | 82,019   |               | 96,738   |               |
| Sub total bonds                  | 98,857   | 7.3%          | 125,285  | 8.5%          |
| Property:                        |  |               |  |               |
| • UK Direct                      | 99,673   |               | 107,687  |               |
| • Property funds - Global        | 0  |               | 0  |               |
| • Property funds - UK            | 0  |               | 0  |               |
| Sub total property               | 99,673   | 7.3%          | 107,687  | 7.3%          |
| Private equity:                  |  |               |  |               |
| • European                       | 0  |               | 0  |               |
| • UK                             | 78,624   |               | 124,406  |               |
| • Global                         | 16,567   |               | 18,138   |               |
| Sub total private equity         | 95,191   | 7.0%          | 142,544  | 9.7%          |
| Other investment funds:          |  |               |  |               |
| • Infrastructure                 | 32,455   |               | 31,572   |               |
| • Diversified Growth Funds       | 95,191   |               | 98,827   |               |
| • Other Loan Fund                | 0  |               | 0  |               |
| • Multi Asset Credit             | 31,368   |               | 123,798  |               |
| Sub total other investment funds | 159,014  | 11.7%         | 254,197  | 17.2%         |
| <b>Total assets</b>              | <b>1,357,938</b>                                   | <b>100.0%</b> | <b>1,474,069</b>                                   | <b>100.0%</b> |

**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 2017.

The significant assumptions used by the actuary have been:

|   | 2018/19 | 2019/20 | 2018/19 | 2019/20 |
|---|---------|---------|---------|---------|
| Mortality assumptions:                  |         |         |         |         |
| Longevity at 65 for current pensioners: |         |         |         |         |
| Men                                     | 22.9    | 23.0    | 22.9    | 23.0    |
| Women                                   | 25.0    | 25.2    | 25.0    | 25.2    |
| Longevity at 65 for future pensioners:  |         |         |         |         |
| Men                                     | 25.8    | 25.9    | -       | -       |
| Women                                   | 28.1    | 28.2    | -       | -       |
| Rate of inflation                       | 2.2%    | 2.0%    | 2.3%    | 2.1%    |
| Rate of increase in salaries            | 3.7%    | 3.5%    | 3.7%    | 3.5%    |
| Rate of increase in pensions            | 2.3%    | 2.1%    | 2.4%    | 2.2%    |
| Rate for discounting scheme liabilities | 2.4%    | 1.7%    | 2.4%    | 1.7%    |

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)          | 53,940                          |
| Rate of inflation (increase by 0.1%)                       | 35,868                          |
| Rate of increase in salaries (increase by 0.1%)            | 4,731                           |
| Rate for discounting scheme liabilities (increase by 0.1%) | (35,208)                        |

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### 23. Events after the Balance Sheet Date

The unaudited Annual Accounts were authorised for issue by the Chief Officer - Finance on 30 April 2020. 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 2020, 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 2019/20 is shown in the Remuneration Report. The Council nominates elected members to represent the Council on the Boards of many arms length external organisations. Details of all members' interests are disclosed on the Council website at [www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk)

#### Other Public Bodies

The Council is the administering authority for the North East Scotland Pension Fund and it charged the Pension Fund £1.594 million for this service in 2019/20 (2018/19, £1.414 million).

For 2019/20 the Council paid £34.032 million to the Pension Fund representing its employer contributions in respect of current and former employees (2018/19, £35.889 million).

Entities Controlled or Significantly Influenced by the Council

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

| Organisation                          | 2018/19  |          | 2019/20  |          | Debtors |         | Creditors |          |
|---------------------------------------|----------|----------|----------|----------|---------|---------|-----------|----------|
|                                       | Receipts | Payments | Receipts | Payments | 2018/19 | 2019/20 | 2018/19   | 2019/20  |
|                                       | £'000    | £'000    | £'000    | £'000    | £'000   | £'000   | £'000     | £'000    |
| Grampian Valuation Joint Board        | 0        | 1,677    | 0        | 1,689    | 0       | 0       | 0         | 0        |
| Common Good                           | 1,728    | 208      | 4,509    | 205      | 0       | 0       | (19,187)  | (20,702) |
| Trust Funds                           | 45       | 45       | 4,032    | 40       | 0       | 0       | (4,028)   | (3,984)  |
| Aberdeen Sports Village               | 14       | 754      | 30       | 1,729    | 0       | 0       | 0         | 0        |
| Sport Aberdeen                        | 330      | 6,971    | 310      | 5,562    | 34      | 1       | (2,996)   | (2,698)  |
| Aberdeen Heat & Power                 | 19       | 3,245    | 18       | 3,305    | 0       | 0       | 0         | 0        |
| NESTRANS                              | 1,018    | 1,098    | 1,300    | 719      | 305     | 719     | (331)     | (1,300)  |
| SDPA                                  | 0        | 95       | 0        | 30       | 0       | 0       | 0         | 0        |
| Scotland Excel                        | 0        | 140      | 0        | 147      | 0       | 0       | 0         | 0        |
| Bon Accord Care                       | 0        | 80       | 6        | 81       | 30      | 0       | 0         | (36)     |
| Bon Accord Support Services           | 1,742    | 29,155   | 895      | 31,758   | 5,406   | 7,174   | (3,667)   | (3,352)  |
| Aberdeen City Integration Joint Board | 128,878  | 91,869   | 132,730  | 95,649   | 2,569   | 24      | 0         | 0        |
|                                       | 133,775  | 135,337  | 143,830  | 140,915  | 8,344   | 7,918   | (30,209)  | (32,072) |

The majority of these bodies form part of the Council's group accounts which are set out on pages 136 to 154.

**25. Leases**Council as Lessee*Finance Leases*

The Council has acquired the development at Marischal Square under a Finance Lease. The asset consisting of a hotel, retail and office units are carried as an Investment Property on the Balance Sheet. The minimum lease payments are made up of the following amounts:

| <b>Finance Lease Liabilities</b>      | <b>31 March 2019<br/>£'000</b> | <b>31 March 2020<br/>£'000</b> |
|---------------------------------------|--------------------------------|--------------------------------|
| Current                               | 396                            | 427                            |
| Non Current                           | 58,029                         | 57,602                         |
| Finance costs payable in Future Years | 104,087                        | 99,515                         |
| <b>Minimum Lease Payments</b>         | <b>162,513</b>                 | <b>157,544</b>                 |

| <b>The minimum lease payment will be payable over the following periods:</b> | <b>Minimum Lease Payments</b>  |                                | <b>Finance Lease Liabilities</b> |                                |
|--|--------------------------------|--------------------------------|----------------------------------|--------------------------------|
|  | <b>31 March 2019<br/>£'000</b> | <b>31 March 2020<br/>£'000</b> | <b>31 March 2019<br/>£'000</b>   | <b>31 March 2020<br/>£'000</b> |
|  | Not later than one year        | 5,000                          | 5,000                            | 396                            |
| Later than one year not later than five years                                | 20,000                         | 20,000                         | 1,923                            | 2,074                          |
| Later than five years  | 142,116                        | 137,116                        | 56,107                           | 55,528                         |
|  | <b>167,116</b>                 | <b>162,116</b>                 | <b>58,426</b>                    | <b>58,029</b>                  |

*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:

|   | <b>Land and Buildings</b>      |                                | <b>Electric Vehicles</b>       |                                |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | <b>31 March 2019<br/>£'000</b> | <b>31 March 2020<br/>£'000</b> | <b>31 March 2019<br/>£'000</b> | <b>31 March 2020<br/>£'000</b> |
| Not later than one year                           | 409                            | 355                            | 19                             | 5                              |
| Later than one year and not later than five years | 980                            | 811                            | 5                              | 0                              |
| Later than five years                             | 4,525                          | 4,357                          | 0                              | 0                              |
|   | <b>5,914</b>                   | <b>5,523</b>                   | <b>24</b>                      | <b>5</b>                       |

The Council has considered contractual 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:

|   | <b>31 March 2019<br/>£'000</b> | <b>31 March 2020<br/>£'000</b> |
|---|--------------------------------|--------------------------------|
| Not later than one year                           | 750                            | 282                            |
| Later than one year and not later than five years | 1,462                          | 845                            |
|   | <b>2,212</b>                   | <b>1,127</b>                   |

#### 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:

|   | <b>Land and Buildings</b>      |                                | <b>Hydrogen Buses</b>          |                                |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | <b>31 March 2019<br/>£'000</b> | <b>31 March 2020<br/>£'000</b> | <b>31 March 2019<br/>£'000</b> | <b>31 March 2020<br/>£'000</b> |
| Not later than one year                           | 5,342                          | 4,999                          | 32                             | 0                              |
| Later than one year and not later than five years | 13,635                         | 13,059                         | 0                              | 0                              |
| Later than five years                             | 168,713                        | 167,879                        | 0                              | 0                              |
|   | <b>187,690</b>                 | <b>185,937</b>                 | <b>32</b>                      | <b>0</b>                       |

#### 26. Investment Properties

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

|   | <b>31 March 2019<br/>£'000</b> | <b>31 March 2020<br/>£'000</b> |
|---|--------------------------------|--------------------------------|
| Rental and interest income from investment property | (12,549)                       | (15,173)                       |
| Expenses arising from investment property           | 2,752                          | 8,803                          |
| Revaluation (gains)/losses                          | 2,822                          | (430)                          |
| <b>Net (gain)/loss</b>                              | <b>(6,975)</b>                 | <b>(6,800)</b>                 |

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

During the year, The Event Complex Aberdeen (TECA) has been classified as an investment property and due to uncertainty over the valuation of the site, it has been valued at cost per the Code of Practice (section 4.4.2.13),

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

|  | <b>2018/19</b><br><b>£'000</b> | <b>2019/20</b><br><b>£'000</b> |
|--|--------------------------------|--------------------------------|
| <b>Balance at start of the year</b>            | <b>148,592</b>                 | <b>145,832</b>                 |
| Additions                                      | 472                            | 0                              |
| Disposals                                      | (410)                          | (1,830)                        |
| Net gains/(losses) from fair value adjustments | (2,822)                        | 430                            |
| Transfers:                                     |                                |                                |
| • (to)/from Property, Plant and Equipment      | 0                              | 393,724                        |
| <b>Balance at end of the year</b>              | <b>145,832</b>                 | <b>538,156</b>                 |

## 27. Heritage Assets

### I Reconciliation of the Carrying Value of Heritage Assets held

|                          | <b>City<br/>Monuments<br/>£'000</b> | <b>Maritime &amp;<br/>Social History<br/>£'000</b> | <b>Numismatics<br/>£'000</b> | <b>Science,<br/>Technology &amp;<br/>Industry<br/>£'000</b> | <b>Art Collection<br/>£'000</b> | <b>Civic Insignia<br/>£'000</b> | <b>Total Assets<br/>£'000</b> |
|--------------------------|-------------------------------------|--|------------------------------|---|---------------------------------|---------------------------------|-------------------------------|
| <b>Cost or valuation</b> |                                     |  |                              |   |                                 |                                 |                               |
| At 1 April 2018          | 608                                 | 1,619  | 17                           | 0   | 194,826                         | 300                             | 197,370                       |
| Disposals                | 0                                   | 0  | 0                            | 0   | 0                               | 0                               | 0                             |
| Revaluations             | 0                                   | 50   | 0                            | 0   | 271                             | 0                               | 321                           |
| <b>At 31 March 2019</b>  | <b>608</b>                          | <b>1,669</b>                                       | <b>17</b>                    | <b>0</b>  | <b>195,097</b>                  | <b>300</b>                      | <b>197,691</b>                |
| <b>Cost or valuation</b> |                                     |  |                              |   |                                 |                                 |                               |
| At 1 April 2019          | 608                                 | 1,669  | 17                           | 0   | 195,097                         | 300                             | 197,691                       |
| Additions                | 0                                   | 0  | 0                            | 0   | 14                              | 0                               | 14                            |
| Revaluations             | 0                                   | 35   | 0                            | 0   | 79                              | 0                               | 114                           |
| <b>At 31 March 2020</b>  | <b>608</b>                          | <b>1,704</b>                                       | <b>17</b>                    | <b>0</b>  | <b>195,190</b>                  | <b>300</b>                      | <b>197,819</b>                |

#### City Monuments

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



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### **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 are few sales of such items which makes assessing correct valuations subject to estimation uncertainty. 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, 14<sup>th</sup> century jugs traded to Aberdeen from Holland, a fine lighthouse lens assembly, the deck house of a steamer and underwater unmanned remotely controlled vehicles are all presented along with hundreds of other fascinating objects from Aberdeen's long association with the sea.

#### **Numismatics**

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

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## 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 19<sup>th</sup> and 20<sup>th</sup> century Scottish art, early 20<sup>th</sup> century English art and a growing collection of challenging international art of the 21<sup>st</sup> century. Artists' portraits and self-portraits form one important collection area as does the unrivalled holding of work by James McBey. The collection also has particularly significant items in terms of both value and note, including an excellent oil canvas by Francis Bacon "Pope I – Study after Pope Innocent X by Velasquez" which was valued by Sotheby's at £70 million on 24 January 2018.

## Applied and Decorative Art

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

## Civic Insignia

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

## Archaeology

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

## Library & Information Services

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

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

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

#### **Preservation and Management**

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

## 28. Property, Plant and Equipment

Movements in 2018/19:

|  | 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  |
| <b>Cost or Valuation</b>   |                   |                          |                             |                       |                  |                |                           |                                   |  |
| <b>At 1 April 2018</b>   | <b>977,883</b>    | <b>923,720</b>           | <b>60,924</b>               | <b>275,776</b>        | <b>28,235</b>    | <b>11,698</b>  | <b>280,528</b>            | <b>2,558,764</b>                  | <b>178,906</b>                                     |
| Additions  | 37,054            | 50,231                   | 3,480                       | 11,305                | 1,538            | 445            | 152,385                   | 256,438                           | 39,588   |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | (223)             | (15,221)                 | 0                           | 0                     | 0                | (1,186)        | 0                         | (16,630)                          | 0  |
| Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (24,180)          | (43,627)                 | 0                           | 0                     | 0                | (7,653)        | 0                         | (75,460)                          | (11,550)   |
| Derecognition – Disposals  | (91)              | 0                        | (883)                       | 0                     | 0                | (150)          | 0                         | (1,124)                           | 0  |
| Derecognition – Other  | 0                 | (698)                    | (1,312)                     | (2,009)               | 0                | 0              | 0                         | (4,019)                           | 0  |
| Reclassifications and Transfers  | 7,440             | (3,287)                  | 0                           | 65,274                | 0                | 2,074          | (71,108)                  | 393                               | 6,062  |
| <b>At 31 March 2019</b>  | <b>997,883</b>    | <b>911,118</b>           | <b>62,209</b>               | <b>350,346</b>        | <b>29,773</b>    | <b>5,228</b>   | <b>361,805</b>            | <b>2,718,362</b>                  | <b>213,006</b>                                     |
| <b>Accumulated Depreciation and Impairment</b>   |                   |                          |                             |                       |                  |                |                           |                                   |  |
| <b>At 1 April 2018</b>   | <b>(56,853)</b>   | <b>(54,678)</b>          | <b>(32,786)</b>             | <b>(103,123)</b>      | <b>0</b>         | <b>0</b>       | <b>0</b>                  | <b>(247,440)</b>                  | <b>(9,244)</b>                                     |
| Depreciation charge  | (30,160)          | (24,958)                 | (7,618)                     | (9,107)               | 0                | 0              | 0                         | (71,843)                          | (3,082)  |
| Depreciation written out to the Revaluation Reserve  | (5)               | 25,847                   | 0                           | 0                     | 0                | 0              | 0                         | 25,842                            | 0  |
| Depreciation written out to the Surplus / Deficit on the Provision of Services                   | 167               | 9,321                    | 0                           | 0                     | 0                | 0              | 0                         | 9,488                             | 0  |
| Derecognition – Disposals  | 6                 | 0                        | 752                         | 0                     | 0                | 0              | 0                         | 758                               | 0  |
| Derecognition – Other  | 0                 | 277                      | 1,312                       | 2,009                 | 0                | 0              | 0                         | 3,598                             | 0  |
| Reclassifications and Transfers  | 0                 | 121                      | 0                           | 0                     | 0                | 0              | 0                         | 121                               | 0  |
| <b>At 31 March 2019</b>  | <b>(86,845)</b>   | <b>(44,070)</b>          | <b>(38,340)</b>             | <b>(110,221)</b>      | <b>0</b>         | <b>0</b>       | <b>0</b>                  | <b>(279,476)</b>                  | <b>(12,326)</b>                                    |
| <b>Net Book Value</b>  |                   |                          |                             |                       |                  |                |                           |                                   |  |
| <b>At 31 March 2019</b>  | <b>911,038</b>    | <b>867,048</b>           | <b>23,869</b>               | <b>240,125</b>        | <b>29,773</b>    | <b>5,228</b>   | <b>361,805</b>            | <b>2,438,886</b>                  | <b>200,680</b>                                     |
| <b>At 31 March 2018</b>  | <b>921,030</b>    | <b>869,042</b>           | <b>28,138</b>               | <b>172,653</b>        | <b>28,235</b>    | <b>11,698</b>  | <b>280,528</b>            | <b>2,311,324</b>                  | <b>169,662</b>                                     |

## Property, Plant and Equipment

Movements in 2019/20:

|  | 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  |
| <b>Cost or Valuation</b>   |                   |                          |                             |                       |                  |                |                           |                                   |  |
| <b>At 1 April 2019</b>   | <b>997,883</b>    | <b>911,118</b>           | <b>62,209</b>               | <b>350,346</b>        | <b>29,773</b>    | <b>5,228</b>   | <b>361,805</b>            | <b>2,718,362</b>                  | <b>213,016</b>                                     |
| Additions  | 50,527            | 9,187                    | 10,781                      | 19,604                | 520              | 103            | 115,025                   | 205,747                           | 365  |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | (1,053)           | 2,762                    | 0                           | 0                     | 0                | (765)          | 0                         | 944                               | (6,821)  |
| Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (32,147)          | (18,836)                 | 0                           | 0                     | 0                | (1,278)        | 0                         | (52,261)                          | (13,954)   |
| Derecognition – Disposals  | 0                 | 0                        | (2,391)                     | 0                     | 0                | 0              | 0                         | (2,391)                           | 0  |
| Derecognition – Other  | 0                 | 0                        | 0                           | 0                     | 0                | 0              | 0                         | 0                                 | 0  |
| Reclassifications and Transfers  | 0                 | 26,961                   | 0                           | 0                     | 0                | 5,519          | (424,279)                 | (391,799)                         | 0  |
| <b>At 31 March 2020</b>  | <b>1,015,210</b>  | <b>931,192</b>           | <b>70,599</b>               | <b>369,950</b>        | <b>30,293</b>    | <b>8,807</b>   | <b>52,551</b>             | <b>2,478,602</b>                  | <b>192,606</b>                                     |
| <b>Accumulated Depreciation and Impairment</b>   |                   |                          |                             |                       |                  |                |                           |                                   |  |
| <b>At 1 April 2019</b>   | <b>(86,845)</b>   | <b>(44,070)</b>          | <b>(38,340)</b>             | <b>(110,221)</b>      | <b>0</b>         | <b>0</b>       | <b>0</b>                  | <b>(279,476)</b>                  | <b>(12,326)</b>                                    |
| Depreciation charge  | (31,900)          | (22,812)                 | (7,508)                     | (11,600)              | 0                | 0              | 0                         | (73,820)                          | (3,673)  |
| Depreciation written out to the Revaluation Reserve  | 0                 | 10,061                   | 0                           | 0                     | 0                | 0              | 0                         | 10,061                            | 2,497  |
| Depreciation written out to the Surplus / Deficit on the Provision of Services                   | 0                 | 16,698                   | 0                           | 0                     | 0                | 0              | 0                         | 16,698                            | 12,911   |
| Derecognition – Disposals  | 0                 | 0                        | 2,384                       | 0                     | 0                | 0              | 0                         | 2,384                             | 0  |
| Derecognition – Other  | 0                 | 0                        | 0                           | 0                     | 0                | 0              | 0                         | 0                                 | 0  |
| Reclassifications and Transfers  | 0                 | 253                      | 0                           | 0                     | 0                | 0              | 0                         | 253                               | 0  |
| <b>At 31 March 2020</b>  | <b>(118,745)</b>  | <b>(39,870)</b>          | <b>(43,464)</b>             | <b>(121,821)</b>      | <b>0</b>         | <b>0</b>       | <b>0</b>                  | <b>(323,900)</b>                  | <b>(591)</b>                                       |
| <b>Net Book Value</b>  |                   |                          |                             |                       |                  |                |                           |                                   |  |
| <b>At 31 March 2020</b>  | <b>896,465</b>    | <b>891,322</b>           | <b>27,135</b>               | <b>248,129</b>        | <b>30,293</b>    | <b>8,807</b>   | <b>52,551</b>             | <b>2,154,702</b>                  | <b>192,015</b>                                     |
| <b>At 31 March 2019</b>  | <b>911,038</b>    | <b>867,048</b>           | <b>23,869</b>               | <b>240,125</b>        | <b>29,773</b>    | <b>5,228</b>   | <b>361,805</b>            | <b>2,438,886</b>                  | <b>200,690</b>                                     |

*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 2020, the Council has a number of ongoing and new contracts for the construction or enhancement of Property, Plant and Equipment budgeted to cost £189.934 million next year. Similar commitments as at 31 March 2019 were £86.85 million. The major projects are:

- Housing – New Build Housing construction works, Wellheads- £21.572 million
- Housing – New Build Housing construction works, Summerhill- £44.945 million
- Housing – Lift and Window replacement - £2.023 million
- Non Housing – New Milltimber Primary- £9.570 million
- Non Housing – Aberdeen Western Peripheral Route - £7 million
- Non Housing – Planned renewal & replacement of roads infrastructure - £6.853 million
- Non Housing – Berryden Corridor - £8.450 million
- Non Housing – Tillydrone Primary School - £7.6 million
- Non Housing – Torry Primary School and Hub - £10.07 million
- Non Housing – Countesswells Primary - £8.95 million
- Non Housing – Energy From Waste - £26.781 million
- Non Housing – Union Terrace Gardens - £18.732 million
- Non Housing – J.I.V.E. (Hydrogen Buses Phase 2) - £5.023 million
- Non Housing – Early Learning and Childcare - £12.365 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.

|                                | <b>Council<br/>Dwellings<br/>£'000</b> | <b>Other<br/>Land and<br/>Buildings<br/>£'000</b> | <b>Vehicles,<br/>Plant and<br/>Equipment<br/>£'000</b> | <b>Infrastructure<br/>Assets<br/>£'000</b> | <b>Community<br/>Assets<br/>£'000</b> | <b>Surplus<br/>Assets<br/>£'000</b> | <b>Assets Under<br/>Construction<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------------------|--|---|--|--|---------------------------------------|-------------------------------------|--|------------------------|
| 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 2020                  | 2,714                                  | 249,278   | 0  | 0  | 0                                     | 8,807                               | 0  | 260,799                |
| 31 March 2019                  | 6,130                                  | 222,944   | 0  | 0  | 0                                     | 10,127                              | 0  | 239,201                |
| 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                |
| <b>Total cost or valuation</b> | <b>1,813,602</b>                       | <b>2,151,905</b>                                  | <b>68,484</b>  | <b>191,110</b>                             | <b>21,359</b>                         | <b>79,637</b>                       | <b>16,161</b>                                  | <b>4,342,258</b>       |

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

## 29. 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            |
|---|----------------|----------------|------------------|---|----------------|------------------|------------------|
|   | 2018/19        | 2018/19        | 2018/19          |   | 2019/20        | 2019/20          | 2019/20          |
|   | £'000          | £'000          | £'000            |   | £'000          | £'000            | £'000            |
| <b>Opening Capital Financing Requirement</b>                | <b>228,168</b> | <b>802,002</b> | <b>1,030,170</b> | * | <b>242,854</b> | <b>972,074</b>   | <b>1,214,928</b> |
| <i>Capital investment</i>                                   |                |                |                  |   |                |                  |                  |
| Property, Plant and Equipment                               | 38,615         | 217,823        | 256,438          |   | 51,466         | 154,280          | 205,746          |
| Heritage Assets   | 0              | 0              | 0                |   | 0              | 14               | 14               |
| Investment Properties                                       | 0              | 472            | 472              |   | 0              | 0                | 0                |
| Assets Held for Sale  | 0              | 6              | 6                |   | 0              | 2                | 2                |
| Music Hall/Aberdeen Harbour Board                           | 0              | 4,000          | 4,000            |   | 0              | 2,000            | 2,000            |
| Loan for National Housing Trust Initiative                  | 0              | 0              | 0                |   | 0              | 0                | 0                |
| <i>Sources of finance</i>                                   |                |                |                  |   |                |                  |                  |
| Capital receipts  | (745)          | (158)          | (903)            |   | (111)          | (341)            | (452)            |
| Government grants and other contributions                   | (4,764)        | (37,334)       | (42,098)         |   | (1,483)        | (42,697)         | (44,180)         |
| Sums set aside from revenue:                                |                |                |                  |   |                |                  |                  |
| • Direct revenue contributions                              | 503            | 0              | 503              |   | 492            | 0                | 492              |
| • Capital for Current Revenue (CFCR)                        | (14,440)       | (667)          | (15,107)         |   | (30,496)       | (660)            | (31,156)         |
| • Loans fund principal                                      | (4,483)        | (9,533)        | (14,016)         |   | (1,563)        | (3,994)          | (5,557)          |
| • PPP liability repayments                                  | 0              | (4,537)        | (4,537)          |   | 0              | (4,627)          | (4,627)          |
| <b>Closing Capital Financing Requirement</b>                | <b>242,854</b> | <b>972,074</b> | <b>1,214,928</b> |   | <b>261,159</b> | <b>1,076,051</b> | <b>1,337,210</b> |
| <i>Explanation of movements in year</i>                     |                |                |                  |   |                |                  |                  |
| Increase/(Decrease) in underlying need to borrow            | 14,686         | 135,021        | 149,707          |   | 18,305         | 108,604          | 126,909          |
| Assets acquired under PFI/PPP contracts                     | 0              | 35,051         | 35,051           |   | 0              | (4,627)          | (4,627)          |
| <b>Increase/(decrease) in Capital Financing Requirement</b> | <b>14,686</b>  | <b>170,072</b> | <b>184,758</b>   |   | <b>18,305</b>  | <b>103,977</b>   | <b>122,282</b>   |

\* 2017/18 opening balances and 2018/19 figures restated.



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**30. 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.

*Lochside Academy*

The Council has entered into a 28 year PPP contract for the construction of Lochside Academy. The academy came into operation in August 2018. The model is similar to the one above however, soft facilities management (cleaning, catering and janitorial services) are delivered through the Council.

*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 2020 (excluding any estimation of inflation and availability/performance deductions) are as follows:

|  | 3R's                          |   |                   |                | Lochside Academy              |   |                   |                |
|--|-------------------------------|---|-------------------|----------------|-------------------------------|---|-------------------|----------------|
|  | Payment for Services<br>£'000 | Reimbursement of Capital Expenditure<br>£'000 | Interest<br>£'000 | Total<br>£'000 | Payment for Services<br>£'000 | Reimbursement of Capital Expenditure<br>£'000 | Interest<br>£'000 | Total<br>£'000 |
| Payable in 2020/21                             | 7,539                         | 1,794   | 6,449             | 15,782         | 431                           | 1,226   | 2,163             | 3,820          |
| Payable within two to five years               | 26,054                        | 13,403  | 25,158            | 64,615         | 2,069                         | 5,402   | 8,019             | 15,490         |
| Payable within six to ten years                | 39,819                        | 19,619  | 28,521            | 87,959         | 4,122                         | 7,321   | 8,436             | 19,879         |
| Payable within eleven to fifteen years         | 44,996                        | 27,530  | 23,754            | 96,280         | 5,035                         | 8,985   | 6,503             | 20,523         |
| Payable within sixteen to twenty years         | 36,791                        | 32,408  | 15,226            | 84,425         | 5,498                         | 11,746  | 4,008             | 21,252         |
| Payable within twenty one to twenty five years | 0                             | 0   | 0                 | 0              | 4,365                         | 8,789   | 915               | 14,070         |
| Payable within twenty six to thirty years      | 0                             | 0   | 0                 | 0              | 0                             | 0   | 0                 | 0              |
| <b>Total</b>                                   | <b>155,199</b>                | <b>94,754</b>                                 | <b>99,108</b>     | <b>349,061</b> | <b>21,520</b>                 | <b>43,469</b>                                 | <b>30,044</b>     | <b>95,033</b>  |

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

|   | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| <b>Balance outstanding at start of year</b> | <b>100,973</b>   | <b>142,453</b>   |
| Additions during year                       | 45,650           | 0                |
| Payments during year                        | (4,170)          | (4,230)          |
| <b>Balance outstanding at end of year</b>   | <b>142,453</b>   | <b>138,223</b>   |

## 31. Assets Held for Sale

|   | 2018/19<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| <b>Balance outstanding at start of year</b> | <b>6,198</b>     | <b>5,693</b>     |
| Assets newly classified as held for sale:   |                  |                  |
| Property, Plant and Equipment               | 6                | 2                |
| Revaluation gains and (losses)              | (130)            | 0                |
| Reclassifications and transfers             | (165)            | (1,928)          |
| Assets sold                                 | (216)            | (111)            |
| <b>Balance outstanding at end of year</b>   | <b>5,693</b>     | <b>3,656</b>     |

## 32. Inventories

|   | Consumable Stores & Maintenance Materials |                  | Client Services Work In Progress |                  | Property Acquired or Constructed for Sale |                  | Total            |                  |
|---|---|------------------|----------------------------------|------------------|---|------------------|------------------|------------------|
|   | 2018/19<br>£'000                          | 2019/20<br>£'000 | 2018/19<br>£'000                 | 2019/20<br>£'000 | 2018/19<br>£'000                          | 2019/20<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 |
| <b>Balance outstanding at start of year</b> | <b>1,137</b>                              | <b>1,832</b>     | <b>12</b>                        | <b>0</b>         | <b>25</b>                                 | <b>0</b>         | <b>1,174</b>     | <b>1,832</b>     |
| Purchases                                   | 13,176                                    | 13,104           | 27,589                           | 17,874           | 0   | 0                | 40,765           | 30,978           |
| Recognised as an expense in the year        | (12,481)                                  | (12,613)         | (27,601)                         | (18,177)         | (25)                                      | 0                | (40,107)         | (30,790)         |
| Written-off balances                        | 0   | (3)              | 0                                | 0                | 0   | 0                | 0                | (3)              |
| <b>Balance outstanding at end of year</b>   | <b>1,832</b>                              | <b>2,320</b>     | <b>0</b>                         | <b>(303)</b>     | <b>0</b>                                  | <b>0</b>         | <b>1,832</b>     | <b>2,017</b>     |

## 33. Short Term Debtors

|                                       | <b>31 March 2019</b> | <b>31 March 2020</b> |
|---------------------------------------|----------------------|----------------------|
|                                       | <b>£'000</b>         | <b>£'000</b>         |
| Central government bodies             | 25,120               | 18,307               |
| Other local authorities               | 3,161                | 6,083                |
| NHS bodies                            | 3,702                | 773                  |
| Public corporations and trading funds | 2,935                | 65                   |
| Other entities and individuals        | 117,189              | 138,400              |
| <b>Gross Total</b>                    | <b>152,107</b>       | <b>163,628</b>       |
| Deduct: Provision for Impairment      | (59,949)             | (68,868)             |
| <b>Net Total</b>                      | <b>92,158</b>        | <b>94,760</b>        |

## 34. Short Term Creditors

|                                       | <b>31 March 2019</b> | <b>31 March 2020</b> |
|---------------------------------------|----------------------|----------------------|
|                                       | <b>£'000</b>         | <b>£'000</b>         |
| Central government bodies             | (28,261)             | (18,888)             |
| Other local authorities               | (1,119)              | (1,258)              |
| NHS bodies                            | (195)                | (41)                 |
| Public corporations and trading funds | (5,511)              | (1,815)              |
| Other entities and individuals        | (45,774)             | (73,299)             |
| <b>Total</b>                          | <b>(80,860)</b>      | <b>(95,301)</b>      |

## 35. Provisions

| 2018/19                               | Note 1  | Note 2                                 | Note 3                             | Note 4         |                |
|---------------------------------------|---|--|------------------------------------|----------------|----------------|
|                                       | <b>Compensation<br/>Payments - Voluntary<br/>Severance/Early<br/>Retirement and Equal<br/>Pay</b> | <b>Property - Asset<br/>Management</b> | <b>Housing Benefit<br/>Subsidy</b> | <b>Other</b>   | <b>Total</b>   |
|                                       | <b>£'000</b>  | <b>£'000</b>                           | <b>£'000</b>                       | <b>£'000</b>   | <b>£'000</b>   |
| <b>Balance at 1 April 2019</b>        | <b>(3,407)</b>  | <b>(551)</b>                           | <b>(100)</b>                       | <b>(1,752)</b> | <b>(5,810)</b> |
| Additional provisions made in 2019/20 | (206)   | (62)                                   | 0                                  | (63)           | (331)          |
| Amounts used in 2019/20               | 2,515   | 0                                      | 0                                  | 252            | 2,767          |
| Unused amounts reversed in 2019/20    | 1   | 0                                      | 0                                  | 508            | 509            |
| <b>Balance at 31 March 2020</b>       | <b>(1,097)</b>  | <b>(613)</b>                           | <b>(100)</b>                       | <b>(1,056)</b> | <b>(2,866)</b> |
| <i>Represented by:</i>                |   |  |                                    |                |                |
| <b>Current provisions</b>             | <b>(1,097)</b>  | <b>0</b>                               | <b>(100)</b>                       | <b>(1,056)</b> | <b>(2,253)</b> |
| <b>Long term provisions</b>           | <b>0</b>  | <b>(613)</b>                           | <b>0</b>                           | <b>0</b>       | <b>(613)</b>   |

**Notes on Provisions –****1. Compensation Payments - Equal Pay and Severance - £1.097 million**

The provision of £3.4 million created under the terms of the Scottish Government statutory guidance (per Local Government in Scotland Act 2003) for a Voluntary Severance /Early Retirement scheme was carried forward from 18-19 - £2.3 million of this provision was used in 2019-20, with the remaining £1.1 million in 2020-21 in respect of the statutory element of severance costs.

**2. Property-Asset Management - £0.613 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 2020 and 2021. 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 2020/21.

**4. Other**

- **Legal Cases - £0.036 million**

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

- **Holiday Pay - £0.867 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 2020/21.

- **IFRS Impairment - £0.153 million**

An impairment review undertaken in 2019/20 under the new IFRS 9 Financial instrument recognised that a provision should be made for financial assets held by the Council. These include short term investments and long term loans.

**36. 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 2019, the Council had material contingent assets as undernoted:

- **Marischal Square Development**

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

### Contingent Liabilities

At 31 March 2020 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 £127,654 in support of an overdraft facility and card guarantee facility until 31 March 2021.

- **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 31 March 2021.

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 Revolving Credit Facility for £1.4 million for Sport Aberdeen.

- **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.

- **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.

- **Integration Joint Board (IJB)**

The IJB is responsible for the strategic planning of the functions delegated to it by Aberdeen City Council and NHS Grampian. The Aberdeen City IJB Integration Scheme provides the framework in which the IJB operates including information on funding and what should happen if the IJB is projecting to overspend its budget at the year-end. Whilst steps will be taken to address this (through a Recovery Plan), ultimately the parties to the arrangement may be potentially liable should the IJB overspend

- **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 commenced in 2019 with the facility coming on line summer 2022, 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.

- **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.

- **Our Generation – Solar Panels**

A contractual dispute exists in relation to this contract which may give rise to a future financial liability. On 23 July 2019 the Council successfully defended an appeal by Our Generation to the Court of Session on the findings of the original judgement. The matter remains outstanding and is subject to further legal proceedings.

- **Aberdeen Art Gallery**

A contractual dispute exists in relation to who bears the cost of the delays in respect of the refurbishment of the Art Gallery. A Court of Session action was raised against the Council by McLaughlin & Harvey, the main contractor, following adjudication in favour of the Council.

A new adjudication was raised by the main contractor for a specified time period within the works period. The adjudication decision led to an extended time award for the main contractor. Notwithstanding this, and prior to the adjudication decision the Council raised a new Court of Session action to determine the cost of delays encompassing the whole contract period. Part of this court action will reconsider the recent adjudication decision. This may give rise to a future financial liability.

- **Scottish Child Abuse Enquiry**

The Scottish Parliament is considering the introduction of a redress scheme (by April 2021) in relation to claims from survivors of abuse in Scotland. This is currently at the review stage and financial contributions may be requested from Local Authorities in relation to this, as it may be an alternative route for survivors to submitting claims to the Council. Further discussions will take place over the coming year to assess any proposed level of contribution from Aberdeenshire Council. In the meantime, it is still possible that the Council will receive civil claims relating to periods of time in care which has the potential for significant costs to be incurred.

- **Multi Storey Blocks**

In response to the Grenfell Tower incident, Building Regulation Fire Safety has been reviewed by the Scottish Government, and an updated Technical Handbook published. The provision of automatic fire suppression systems has been deferred until 2021 to align with a government commitment to introduce this within new build social housing. Retrofitting suppression in existing dwellings is not a requirement. The cost impact of these changes for new dwellings is not quantified at this time.

- **New Build – Manor Walk**

A contractual dispute exists in relation to who bears the cost of the delays in respect of the new housing development at Manor Walk. The contract parties have tried to reach a negotiated settlement but this has been unsuccessful. An adjudication was formally raised by the main contractor (Bancon Construction Limited) on 11 March 2020. The adjudication decision is expected in late April 2020.

- **COVID-19 Impact**

Statute and government guidance restricting the movement of people and effectively locking down the country leaves the Council in a position of increased uncertainty on a number of fronts. Facilities closing and construction sites being shut down for a period of time increases the likelihood of the Council and contractors referring to contractual documents and for disputes to arise. The level of uncertainty is such that it is not possible to know what might arise from these restrictions, and no value can be estimated at this time.



## 37. Grant Income

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

|   |  | 2018/19        |     | 2019/20        |
|---|--|----------------|-----|----------------|
|   |  | £'000          |     | £'000          |
| <b>Credited to Taxation and Non Specific Grant Income</b> |  |                |     |                |
| Total revenue Funding Grant                               |  | 325,560        |     | 310,533        |
|   |  | <b>325,560</b> |     | <b>310,533</b> |
| <b>Credited to Services</b>                               |  |                |     |                |
| Department of Work and Pensions                           |  |                |     |                |
|   | Housing Benefit Grant  | 55,580         |     | 50,469         |
|   | Housing Benefit Admin Grant  | 692            |     | 629            |
|   | Discretionary Housing Payment  | -              |     | -              |
|   | Other  | 57             |     | 230            |
| National Health Service                                   |  |                |     |                |
|   | Integrated care funding  | 31,284         |     | 36,062         |
|   | Other  | 314            |     | 78             |
| Other Local Authorities                                   |  |                |     |                |
|   | Western Peripheral Route Works   | 4,760          |     | 3,954          |
|   | Other  | -              |     | 52             |
| Scottish Government                                       |  |                |     |                |
|   | ELC Expansion  | 247            |     | 6,685          |
|   | S27 Community Justice Grant  | 4,557          |     | 5,190          |
|   | Pupil Equity Fund  | 4,464          |     | 4,103          |
|   | Home Insulation  | 1,903          |     | 3,394          |
|   | Scotland's Schools for the Future Design, Build, Finance, Maintain Projects (Lochside Academy) | 2,189          |     | 2,731          |
|   | Attainment Challenge   | 296            |     | 902            |
|   | Chargeplace Scotland   | 35             |     | 297            |
|   | Education Maintenance  | 316            |     | 280            |
|   | Opportunities for All  | 139            |     | 267            |
|   | Severe Weather Funding   | 589            |     | -              |
|   | Other  | 1,243          | *   | 627            |
| European Funding  |  |                |     |                |
|   | Civitas  | 355            |     | 594            |
|   | Hydrogen Bus Project   | 980            |     | 623            |
|   | Other  | 106            |     | 21             |
| Home Office   |  |                |     |                |
|   | Syrian Refugee Resettlement Programme  | 442            |     | 128            |
|   | Other  | 45             |     | 41             |
| Sport Scotland  |  |                |     |                |
|   | Creative Scotland  | 367            |     | 397            |
| Transport Scotland  |  |                |     |                |
|   | Western Peripheral Route Works   | 12,918         | **  | 109,020        |
|   | Paths for All  | 300            |     | 60             |
|   | Other  | 913            | *** | 549            |
| <b>Total</b>  |  | <b>125,316</b> |     | <b>227,633</b> |

\*2018/19 'Scottish Government Other' has been reinstated as ELC Expansion, Chargeplace Scotland & Opportunities for All identified separately in 2019/20.

\*\*2018/19 'Transport Scotland Western Peripheral Route Works' has been updated to include previously allocated to Other Local Authority.

\*\*\*2018/19 'Other' has been updated to include the grant from Heritage Lottery Fund.

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:

|   | 2018/19<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Revenue Grants - Receipts in Advance</b>               |                 |                 |
| Aberdeen Art Gallery                                      | 1               | 0               |
| Aberdeen University - Food & Fun                          | 5               | 0               |
| ACHSOP Health Improvement Fund                            | 0               | 3               |
| Amped Funding   | 10              | 10              |
| Bequest/ Europe Direct for Libraries                      | 33              | 0               |
| CISS Confucius Classroom Grant                            | 0               | 7               |
| Costal Communities  | 0               | 26              |
| Countryside Rangers Service                               | 3               | 0               |
| Creative Learning Network                                 | 4               | 0               |
| Creative Scotland - VACMA                                 | 13              | 11              |
| ELC Grant   | 2392            | 0               |
| Erasmus Clermont Grant                                    | 7               | 0               |
| Food Standard Scotland Grant                              | 0               | 150             |
| Home Office Refugees                                      | 513             | 489             |
| Lochside Academy - Big Lottery Co Design                  | 2               | 0               |
| NHS Tobacco Campaign                                      | 0               | 3               |
| Scottish Government - Library Improvement Fund            | 0               | 7               |
| Social Care & Wellbeing (Telecare, Kinship Care, Luggage) | 6               | 6               |
| <b>Total</b>  | <b>2,989</b>    | <b>712</b>      |
| <b>Capital Grant - Receipts in Advance</b>                |                 |                 |
| Gypsy Traveller Grant                                     | 103             | 103             |
| Elc Capital Payment                                       | 8292            | 16612           |
| Scottish Government JIVE                                  | 3388            | 3388            |
| Scottish Government Flood Grant                           | 452             | 382             |
| Fibre Network   | 843             | 0               |
| Aberdeen Inspired Funding for Cars for Union Street       | 13              | 0               |
| AWPR De-trunking  | 0               | 3657            |
| Fuel Cell Cargo Project                                   | 0               | 81              |
| Town Centre Fund  | 0               | 1254            |
| Scottish Government No One Left Behind                    | 0               | 33              |
| ICT Capital Investment Fund                               | 0               | 19              |
| <b>Total</b>  | <b>13,091</b>   | <b>25,529</b>   |

## 38. 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 2019<br>£'000 | 31 March 2020<br>£'000 | 31 March 2019<br>£'000 | 31 March 2020<br>£'000 |
| <b>Investments</b>                               |                        |                        |                        |                        |
| Loans and receivables                            | 0                      | 0                      | 45,213                 | 50,454                 |
| Interest in group entities                       | 17,638                 | 16,932                 | 0                      | 0                      |
| <b>Total investments</b>                         | <b>17,638</b>          | <b>16,932</b>          | <b>45,213</b>          | <b>50,454</b>          |
| <b>Debtors</b>                                   |                        |                        |                        |                        |
| Loans and receivables                            | 7,592                  | 7,539                  | 0                      | 0                      |
| Financial assets carried at contract amount      | 0                      | 0                      | 92,158                 | 94,760                 |
| <b>Total debtors</b>                             | <b>7,592</b>           | <b>7,539</b>           | <b>92,158</b>          | <b>94,760</b>          |
| <b>Borrowings</b>                                |                        |                        |                        |                        |
| Financial liabilities at amortised cost          | (895,954)              | (1,021,809)            | (197,228)              | (213,138)              |
| <b>Total borrowings</b>                          | <b>(895,954)</b>       | <b>(1,021,809)</b>     | <b>(197,228)</b>       | <b>(213,138)</b>       |
| <b>Other Long term Liabilities</b>               |                        |                        |                        |                        |
| PPP liabilities                                  | (138,223)              | (142,453)              | (4,230)                | (4,710)                |
| <b>Total other long term liabilities</b>         | <b>(138,223)</b>       | <b>(142,453)</b>       | <b>(4,230)</b>         | <b>(4,710)</b>         |
| <b>Creditors</b>                                 |                        |                        |                        |                        |
| Financial liabilities carried at contract amount | (13)                   | 0                      | (80,860)               | (95,301)               |
| <b>Total creditors</b>                           | <b>(13)</b>            | <b>0</b>               | <b>(80,860)</b>        | <b>(95,301)</b>        |

Note: 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 £28.9m have been included in long term borrowing but have a call date in the next 12 months

**Income, Expense, Gains and Losses**

| Financial Instruments Gains/(Losses)                                      | 2018/19                             |                                |                 | 2019/20                             |                                |                 |
|---|-------------------------------------|--------------------------------|-----------------|-------------------------------------|--------------------------------|-----------------|
|   | Financial Liabilities               | Financial Assets               | Total           | Financial Liabilities               | Financial Assets               | Total           |
|   | Measured at amortised cost<br>£'000 | Loans and receivables<br>£'000 | £'000           | Measured at amortised cost<br>£'000 | Loans and receivables<br>£'000 | £'000           |
| Interest expense  | (50,292)                            | 0                              | (50,292)        | (54,738)                            | 0                              | (54,738)        |
| <b>Total expense in Surplus or (Deficit) on the Provision of Services</b> | <b>(50,292)</b>                     | <b>0</b>                       | <b>(50,292)</b> | <b>(54,738)</b>                     | <b>0</b>                       | <b>(54,738)</b> |
| Interest income   | 0                                   | 1,432                          | 1,432           | 0                                   | 3,513                          | 3,513           |
| <b>Total income in Surplus or (Deficit) on the Provision of Services</b>  | <b>0</b>                            | <b>1,432</b>                   | <b>1,432</b>    | <b>0</b>                            | <b>3,513</b>                   | <b>3,513</b>    |
| <b>Net Interest</b>   | <b>(50,292)</b>                     | <b>1,432</b>                   | <b>(48,860)</b> | <b>(54,738)</b>                     | <b>3,513</b>                   | <b>(51,225)</b> |

With the introduction of IFRS 9 on 1 April 2018 the Council now classifies its Financial Assets according to the business model to which they relate and conducts an annual impairment review to ensure impairments are made to financial assets, if required.

Loans and Receivables includes short term investments and long term loans. These are classified as Amortised Cost as they are held solely for the purposes of repayment of principal and interest. The interest in group entities and is now classified as Fair Value through Profit and Loss, any annual fluctuations in the value of this category will be credited/debited to the Comprehensive Income and Expenditure Statement.

The impairment allowance for short-term investments is very low as these investments are made with financial institutions with high credit ratings per the Council's Treasury Strategy and are therefore considered to be at very low risk of default. As most of the Council's long term loans are covered by standard securities or guarantees they are not assessed for impairment, an impairment considered appropriate for the remaining loans has been calculated.

| Financial Instrument            | 2018/19        |                                    |                            |                                    | 2019/20        |                                    |                            |                                    |
|---------------------------------|----------------|------------------------------------|----------------------------|------------------------------------|----------------|------------------------------------|----------------------------|------------------------------------|
|                                 | Classification |                                    | Treatment                  |                                    | Classification |                                    | Treatment                  |                                    |
|                                 | Amortised Cost | Fair Value through Profit and Loss | Total Impairment Allowance | Adjustment through Profit and Loss | Amortised Cost | Fair Value through Profit and Loss | Total Impairment Allowance | Adjustment through Profit and Loss |
|                                 | £'000          | £'000                              | £'000                      | £'000                              | £'000          | £'000                              | £'000                      | £'000                              |
| <b>Loans and Receivables</b>    |                |                                    |                            |                                    |                |                                    |                            |                                    |
| <b>Interest in Group Entity</b> | 106,926        |                                    | 102                        |                                    | 135,867        |                                    | 153                        |                                    |
|                                 |                | 17,638                             |                            | 437                                |                | 16,932                             |                            | 706                                |

## Fair Values of Assets and Liabilities

Financial liabilities and 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 2020 of 1.57% to 10.50% 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 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 2019                  |                           |                          |   |                                      | 31 March 2020                  |                           |                          |   |                                      |
|---|--------------------------------|---------------------------|--------------------------|---|--------------------------------------|--------------------------------|---------------------------|--------------------------|---|--------------------------------------|
|   | Principal Outstanding<br>£'000 | Accrued Interest<br>£'000 | Carrying Amount<br>£'000 | Fair Value (Premature Repayment)<br>£'000 | Fair Value (New Loan Rates)<br>£'000 | Principal Outstanding<br>£'000 | Accrued Interest<br>£'000 | Carrying Amount<br>£'000 | Fair Value (Premature Repayment)<br>£'000 | Fair Value (New Loan Rates)<br>£'000 |
| PWLB – maturity   | (365,434)                      | (6,211)                   | (371,645)                | (691,580)                                 | (567,854)                            | (485,434)                      | (6,719)                   | (492,153)                | (1,007,090)                               | (640,930)                            |
| LOBOs   | (93,893)                       | (701)                     | (94,594)                 | (185,749)                                 | (148,146)                            | (93,893)                       | (675)                     | (94,568)                 | (226,652)                                 | (140,990)                            |
| Bond Issuance   | (370,000)                      | 0                         | (370,000)                | (436,897)                                 | (482,814)                            | (363,140)                      | (1,457)                   | (364,597)                | (429,981)                                 | (447,847)                            |
| Bond EIR  | (31,429)                       | 0                         | (31,429)                 | (31,429)                                  | (31,429)                             | (47,342)                       | 0                         | (47,342)                 | (47,342)                                  | (47,342)                             |
| Bond Premium  | (40,879)                       | 0                         | (40,879)                 | (40,879)                                  | (40,879)                             | (39,383)                       | 0                         | (39,383)                 | (39,383)                                  | (39,383)                             |
| Transfer Interest to Short Term in line with Code requirements                            | 0                              | 6,912                     | 6,912                    | 0   | 0                                    | 0                              | 8,851                     | 8,851                    | 0   | 0                                    |
| Transfer borrowing repayable with 12 months to Short Term in line with Code requirements  | 0                              | 0                         | 10,000                   | 0   | 0                                    | 0                              | 0                         | 11,579                   | 0   | 0                                    |
| Financial Instrument Adjustments  | 0                              | 0                         | (4,319)                  | 0   | 0                                    | 0                              | 0                         | (4,196)                  | 0   | 0                                    |
| <b>Total Long Term Borrowing</b>  | <b>(901,635)</b>               | <b>0</b>                  | <b>(895,954)</b>         | <b>(1,386,534)</b>                        | <b>(1,271,122)</b>                   | <b>(1,029,192)</b>             | <b>0</b>                  | <b>(1,021,809)</b>       | <b>(1,750,448)</b>                        | <b>(1,316,492)</b>                   |
| Short term borrowing  | (180,126)                      | (224)                     | (180,350)                | (180,350)                                 | (180,350)                            | (195,455)                      | (318)                     | (195,773)                | (195,773)                                 | (195,773)                            |
| Transfer Interest from Long Term in line with Code requirements                           | 0                              | (6,877)                   | (6,877)                  | 0   | 0                                    | 0                              | (8,851)                   | (12,365)                 | 0   | 0                                    |
| Transfer borrowing repayable with 12 months from Long Term in line with Code requirements | 0                              | 0                         | (10,000)                 | 0   | 0                                    | 0                              | 0                         | (5,000)                  | 0   | 0                                    |
| <b>Total Short Term Borrowing</b>   | <b>(180,126)</b>               | <b>(7,101)</b>            | <b>(197,227)</b>         | <b>(180,350)</b>                          | <b>(180,350)</b>                     | <b>(195,455)</b>               | <b>(9,169)</b>            | <b>(213,138)</b>         | <b>(195,773)</b>                          | <b>(195,773)</b>                     |

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) 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 2019                  |                           |                          |                     | 31 March 2020                  |                           |                          |                     |
|--|--------------------------------|---------------------------|--------------------------|---------------------|--------------------------------|---------------------------|--------------------------|---------------------|
|  | Principal Outstanding<br>£'000 | Accrued Interest<br>£'000 | Carrying Amount<br>£'000 | Fair Value<br>£'000 | Principal Outstanding<br>£'000 | Accrued Interest<br>£'000 | Carrying Amount<br>£'000 | Fair Value<br>£'000 |
| Deposits with banks/building societies | 97,738                         | 191                       | 97,929                   | 97,929              | 128,326                        | 432                       | 128,758                  | 128,758             |

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

### 39. 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 £128.3m 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 2020 that this was likely to crystallise.

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

| <b>Credit Risk A</b>   |  |  |   |  |  |
|--|--|--|---|--|--|
| <b>Estimated maximum exposure at 31 March 2019<br/>£'000</b> |  | <b>Amount at 31 March 2020<br/>£'000</b> | <b>Historical experience of default<br/>%</b> | <b>Historical experience adjusted for market conditions at 31 March 2020<br/>%</b> | <b>Estimated maximum exposure to default and uncollectability at 31 March 2020<br/>£'000</b> |
|  |  | A  | B   | C  | (A x C)  |
| 0  | Deposits with banks and building societies | 128,758                                  | 0   | 0  | 0  |
| 3,246  | Customers                                  | 46,801                                   | 4.81%   | 4.81%  | 4,881  |
| <b>3,246</b>   |  |  |   |  | <b>4,881</b>   |

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits and bonds. The Council does not generally allow credit for customers, however £46.8m is past its due date for payment. The past due amount can be analysed by age as follows:

| <b>Credit Risk B</b>   | <b>31 March 2019<br/>£'000</b> | <b>31 March 2020<br/>£'000</b> |
|------------------------|--------------------------------|--------------------------------|
| Less than three months | 9,853                          | 19,489                         |
| Three to six months    | 1,629                          | 1,412                          |
| Six months to one year | 2,184                          | 6,385                          |
| More than one year     | 17,453                         | 19,515                         |
|                        | <b>31,119</b>                  | <b>46,801</b>                  |

#### **Liquidity risk**

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

The maturity analysis of financial liabilities is as follows:

|                            | <b>31 March 2019</b> | <b>31 March 2020</b> |
|----------------------------|----------------------|----------------------|
|                            | <b>£'000</b>         | <b>£'000</b>         |
| Less than one year         | 201,553              | 222,776              |
| Between one and two years  | 11,860               | 20,515               |
| Between two and five years | 42,550               | 32,613               |
| Between five and ten years | 62,803               | 62,921               |
| More than ten years        | 702,114              | 810,909              |
|                            | <b>1,020,880</b>     | <b>1,149,734</b>     |

In the "More than 10 years" category in the table above there are £25.9 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.

£363.1 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 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

|   | <b>£'000</b>   |
|---|----------------|
| Increase in interest payable on variable rate borrowings  | 259            |
| Increase in interest receivable on variable rate investments  | (850)          |
| Impact on Surplus or Deficit on the Provision of Services   | <b>(591)</b>   |
| Share of overall impact debited to the HRA  | <b>(117)</b>   |
| Decrease in fair value of fixed rate borrowings liabilities due to a 1% rise in discount rates (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | <b>201,579</b> |
| Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)  | 0              |

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 2019/20, the average interest rates were 3.56% for capital (2018/19, 3.80%), 0.62% for revenue advances (2018/19, 0.55%) and 0.02% for expenses (2018/19, 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<br>£'000 | 2011/12<br>£'000 | 2012/13<br>£'000 | 2013/14<br>£'000 | 2014/15<br>£'000 | 2015/16<br>£'000 | 2016/17<br>£'000 | 2017/18<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General Fund            | 408,526          | 402,839          | 397,654          | 396,557          | 397,314          | 413,355          | 538,587          | 667,392          | 804,437          | 911,505          |
| Trading Operations      | 23,257           | 22,678           | 24,282           | 23,083           | 21,283           | 20,486           | 19,207           | 15,107           | 13,083           | 14,621           |
| Housing Revenue Account | 185,923          | 193,225          | 196,880          | 196,665          | 196,675          | 193,692          | 189,118          | 187,479          | 202,165          | 220,468          |
| <b>Total</b>            | <b>617,706</b>   | <b>618,742</b>   | <b>618,816</b>   | <b>616,305</b>   | <b>615,272</b>   | <b>627,533</b>   | <b>746,912</b>   | <b>869,978</b>   | <b>1,019,685</b> | <b>1,146,594</b> |

| Loans Fund<br>Revenue Account |   |                  | Loans Fund<br>Balance Sheet as at 31 March |  |                    |
|-------------------------------|---|------------------|--|--|--------------------|
| 2018/19<br>£'000              |   | 2019/20<br>£'000 | 2019<br>£'000                              |  | 2020<br>£'000      |
|                               | <b>Expenditure</b>                                      |                  |  | <b>Assets</b>                                    |                    |
| 36,364                        | Interest paid to External Bodies                        | 39,657           |  | Advances to:                                     |                    |
| 612                           | Interest paid to Other Council<br>Accounts              | 629              | 1,019,685                                  | Aberdeen City Council for Capital<br>Expenditure | 1,146,594          |
| 149                           | General Expenses  | 242              | 2  | Other Bodies                                     | 2                  |
| <b>37,125</b>                 |   | <b>40,528</b>    | 12,820                                     | Rescheduled Premiums                             | 12,422             |
|                               | <b>Income</b>   |                  | 1,032,507                                  |  | 1,159,018          |
|                               | Interest & Expenses charged to<br>Aberdeen City Council |                  |  | <b>Current Assets</b>                            |                    |
| (28,292)                      | General Fund  | (31,100)         | 97,700                                     | Temporary Investments                            | 128,300            |
| (7,374)                       | Housing Revenue Account                                 | (7,467)          | 230  | Sundry Debtors                                   | 458                |
| (562)                         | Trading Operations                                      | (466)            | 635  | Bank   | 2,480              |
| (897)                         | From Temporary Investments                              | (1,495)          | 1,131,072                                  |  | 1,290,256          |
| <b>(37,125)</b>               |   | <b>(40,528)</b>  |  | <b>Less: Current Liabilities</b>                 |                    |
|                               |   |                  | 67,375                                     | Temporary Advances from Council<br>Services      | 83,961             |
|                               |   |                  | 7,102                                      | Sundry Creditors                                 | 7,771              |
|                               |   |                  | 74,477                                     |  | 91,732             |
|                               |   |                  | <b>1,056,595</b>                           | <b>Net Assets</b>                                | <b>1,198,524</b>   |
|                               |   |                  | (365,434)                                  | <b>Financed by:</b>                              |                    |
|                               |   |                  | (93,893)                                   | Public Works Loan Board                          | (485,434)          |
|                               |   |                  | (370,000)                                  | Market Loans                                     | (93,893)           |
|                               |   |                  | (40,879)                                   | Negotiable Bonds                                 | (363,140)          |
|                               |   |                  | (31,431)                                   | Bond Premium                                     | (39,383)           |
|                               |   |                  | (2)  | Bond EIR   | (47,342)           |
|                               |   |                  | (154,956)                                  | Stock Issue & Gas Annuities                      | (2)                |
|                               |   |                  | <b>(1,056,595)</b>                         | Temporary Loans                                  | (169,330)          |
|                               |   |                  |  |  | <b>(1,198,524)</b> |



Jonathan Belford, CPFA  
Chief Officer - Finance  
6 May 2020

**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**

| <b>2018/19</b>  |                                     | <b>2019/20</b> |                 |
|-----------------|-------------------------------------|----------------|-----------------|
|                 |                                     | <b>£'000</b>   | <b>£'000</b>    |
|                 | <b>Income</b>                       |                |                 |
| (83,074)        | Dwelling Rents                      | (86,785)       |                 |
| (3,211)         | Non dwelling Rents                  | (2,200)        |                 |
| (2,127)         | Other Income                        | (2,127)        |                 |
| <b>(88,412)</b> |                                     |                | <b>(91,112)</b> |
|                 | <b>Expenditure</b>                  |                |                 |
| 769             | Staff Costs                         | 807            |                 |
| <b>769</b>      |                                     |                | <b>807</b>      |
|                 | Premises Costs:                     |                |                 |
| 28,078          | Repairs and Maintenance             | 26,106         |                 |
| 3,179           | Maintenance of amenity areas        | 3,207          |                 |
| 5,366           | Bad debts written off/provisions    | 3,372          |                 |
| 1,739           | Loss of rent vacant periods         | 2,240          |                 |
| 1,563           | Other costs                         | 1,805          |                 |
| <b>39,925</b>   |                                     |                | <b>36,730</b>   |
|                 | Administration Costs:               |                |                 |
| 7,954           | Management and Administration       | 8,703          |                 |
| 834             | Other costs                         | 690            |                 |
| <b>8,788</b>    |                                     |                | <b>9,393</b>    |
|                 | Supplies and Services:              |                |                 |
| 3,923           | Communal Lighting and Heating, etc. | 3,609          |                 |
| 280             | Information Technology              | 180            |                 |
| 184             | Other Costs                         | 131            |                 |
| <b>4,387</b>    |                                     |                | <b>3,920</b>    |

| 2018/19<br>£'000 |  | 2019/20 |                |
|------------------|--|---------|----------------|
|                  |  | £'000   | £'000          |
|                  | Agencies:  |         |                |
| 200              | Contributions  | 156     |                |
| 0                | Supporting People Contribution   | 0       |                |
| 658              | Tenant's Participation/Helplines   | 572     |                |
| <b>858</b>       |  |         | <b>728</b>     |
|                  | Capital Charges:   |         |                |
| 30,160           | Depreciation   | 31,900  |                |
| 24,015           | Impairment of Non Current Assets   | 32,147  |                |
| <b>54,175</b>    |  |         | <b>64,047</b>  |
| <b>108,911</b>   | <b>Gross Expenditure</b>   |         | <b>115,626</b> |
|                  |  |         |                |
| 20,490           | <b>Net Cost of HRA Services per Council's Comprehensive Income and Expenditure Statement</b> |         | 24,513         |
| 137              | Corporate and Democratic Core  | 163     |                |
|                  |  |         | 163            |
| <b>20,627</b>    | <b>Net Cost of HRA Services</b>  |         | <b>24,676</b>  |
| (158)            | (Gain) / Loss on Sale of HRA Non Current Assets  | 492     |                |
| 7,374            | Interest payable and similar charges   | 7,468   |                |
| (176)            | Interest and investment income   | (223)   |                |
| 235              | Pensions interest and return on assets   | 222     |                |
| (4,764)          | Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax)    | (1,483) |                |
| <b>23,138</b>    | <b>(Surplus)/deficit for the year on HRA Services</b>  |         | <b>31,152</b>  |

## Movement on the Housing Revenue Account Statement

| 2018/19<br>£'000 |                                     | 2019/20<br>£'000 |
|------------------|-------------------------------------|------------------|
| 0                | Transfer to/(from) the General Fund | 0                |
| <b>0</b>         | <b>Total</b>                        | <b>0</b>         |

## Housing Revenue Account Disclosures

## 1. Adjustments between Accounting Basis and Funding Basis under Statute

| 2018/19<br>£'000 |  | 2019/20<br>£'000 |
|------------------|--|------------------|
| 158              | Gain or (loss) on sale of HRA non-current assets           | (492)            |
| 14,440           | Capital expenditure funded by the HRA                      | 30,496           |
|                  | Transfer to/from the Capital Adjustment Account:           | 0                |
| (54,175)         | Depreciation and Impairment                                | (64,047)         |
| 4,764            | Capital Grants and Contributions                           | 1,483            |
| 4,483            | Repayment of Debt  | 1,563            |
| (576)            | HRA share of contributions to or from the Pensions Reserve | (656)            |
| 0                | Adjustment involving the Accumulated Absences Account      | 1                |
| 5                | Other Adjustments  | 0                |
| <b>(30,901)</b>  |  | <b>(31,652)</b>  |

## 2. Transfers (to) or from Reserves

| 2018/19<br>£'000 |   | Notes | 2019/20<br>£'000 |
|------------------|---|-------|------------------|
| (11,808)         | Balance on the HRA at start of Year                                       |       | (12,296)         |
| 23,138           | (Surplus) or Deficit for the Year on HRA Income and Expenditure Statement |       | 31,152           |
| (30,901)         | Adjustments between Accounting Basis and Funding Basis Under Statute      | 1     | (31,652)         |
| (7,763)          | Net (Increase) or Decrease Before Transfers to or (from) Reserves         |       | (500)            |
| 7,275            | Transfers to or (from) Reserves   | 2     | 0                |
| (488)            | (Increase) or Decrease in Year on the HRA                                 |       | (500)            |
| <b>(12,296)</b>  | <b>Balance on the HRA at end of Year</b>                                  |       | <b>(12,796)</b>  |

### 3. Housing Stock

The Council's housing stock at 31 March 2020 was 22,404 (21,974 at 31 March 2019) in the following categories:

| <b>2018/19<br/>Number</b> |                           | <b>2019/20<br/>Number</b> |
|---------------------------|---------------------------|---------------------------|
|                           | <b>Type of Property</b>   |                           |
| 1,975                     | Sheltered Property        | 1,997                     |
| 4,216                     | Cottage                   | 4,205                     |
| 8,467                     | Flat                      | 8,876                     |
| 2,080                     | Four in Block             | 2,099                     |
| 548                       | Maisonette                | 565                       |
| 2,154                     | Multi Storey Flat         | 2,196                     |
| 122                       | Split Level Flat          | 125                       |
| 427                       | Multi Storey Maisonette   | 431                       |
| 1,390                     | Amenity                   | 1,441                     |
| 380                       | Homeless                  | 403                       |
| <b>21,759</b>             | <b>Sub Total</b>          | <b>22,338</b>             |
| 215                       | Properties off the charge | 66                        |
| <b>21,974</b>             | <b>HRA Total</b>          | <b>22,404</b>             |
|                           | <b>Other Assets</b>       |                           |
| 1                         | Hostel                    | 1                         |
| 241                       | Garages Sites             | 241                       |
| 2,035                     | Lock Up Garages           | 2,029                     |
| 911                       | Parking Spaces            | 911                       |
| 17                        | Travelling Peoples Sites  | 17                        |
| <b>3,205</b>              |                           | <b>3,199</b>              |

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**4. Rent Arrears**

| <b>2018/19</b> |                           | <b>2019/20</b> |
|----------------|---------------------------|----------------|
| <b>£'000</b>   |                           | <b>£'000</b>   |
| 5,170          | Current Tenant Arrears    | 6,426          |
| 1,573          | Former Tenant Arrears     | 2,337          |
| <b>6,743</b>   | <b>Total Rent Arrears</b> | <b>8,763</b>   |

**5. Impairment of Debtors**

In 2019/20 an impairment of £7,855,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £2,101,000 from the provision in 2018/19



**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 2019/20, which is set annually by the Scottish Ministers, is 49 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 2018/19, the NDR poundage rate was set at 48 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.

| <b>2018/19</b>   |  | <b>2019/20</b> |                  |
|------------------|--|----------------|------------------|
| <b>£'000</b>     |  | <b>£'000</b>   | <b>£'000</b>     |
| <b>(300,618)</b> | <b>Gross Rates Levied and Contributions in Lieu</b>                            |                | <b>(302,774)</b> |
|                  | <i>Deduct:</i>   |                |                  |
| 44,075           | Reliefs, remissions, etc.  | 48,356         |                  |
|                  | Payment of Interest  |                |                  |
| 7,683            | Write off of uncollectable debts and allowances for impairment                 | 7,184          | 55,540           |
| <b>(248,860)</b> | <b>Net Non Domestic Rate Income</b>  |                | <b>(247,234)</b> |
|                  |  |                |                  |
| 2,031            | Adjustment to previous years' National Non Domestic Rates                      |                | 4,391            |
| <b>(246,829)</b> | <b>Contribution to Non Domestic Rate Pool</b>                                  |                | <b>(242,843)</b> |
|                  |  |                |                  |
| <b>(227,801)</b> | <b>Distribution from Non Domestic Rate Pool</b>                                |                | <b>(258,560)</b> |
|                  |  |                |                  |
|                  | <i>Add:</i>  |                |                  |
| 0                | Prior Year BRIS income   |                | (3,904)          |
| (450)            | Adjustment for Statutory Additions and others                                  |                | (267)            |
| (450)            |  |                | 0                |
|                  |  |                |                  |
|                  | <i>Less:</i>   |                |                  |
| 450              | Charity Relief adjustment  |                | 387              |
|                  |  |                |                  |
| <b>(227,801)</b> | <b>Income credited to the Comprehensive Income and Expenditure Statement *</b> |                | <b>(262,344)</b> |

\* The figure for 2019/20 assumes that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) target in 2019/20.

| <b>Category</b>                            | <b>Number of Subjects</b> | <b>Rateable Value at 1 April 2020<br/>£'000</b> |
|--|---------------------------|---|
| Shops                                      | 2,208                     | 103,556   |
| Public Houses                              | 156                       | 7,468   |
| Offices Including Banks                    | 2,928                     | 190,471   |
| Hotels etc.                                | 337                       | 24,803  |
| Industrial Factories, Warehouses, Stores   | 1,952                     | 146,185   |
| Leisure Entertainment, Caravans, Hol.Sites | 204                       | 4   |
| Garages and Petrol Stations                | 206                       | 5,191   |
| Cultural                                   | 13                        | 1,508   |
| Sporting Subjects                          | 84                        | 505   |
| Education & Training                       | 158                       | 34,982  |
| Public Service Subjects                    | 193                       | 20,717  |
| Communications (non Formula)               | 31                        | 2,216   |
| Quarries, Mines etc                        | 9                         | 128   |
| Petrochemical                              | 2                         | 792   |
| Religious                                  | 136                       | 2,814   |
| Health Medical                             | 128                       | 16,487  |
| Other                                      | 914                       | 11,686  |
| Care Facilities                            | 119                       | 5,914   |
| Advertising                                | 126                       | 536   |
| Undertaking                                | 15                        | 2,429   |
| <b>Total Non Domestic Rates Subjects</b>   | <b>9,919</b>              | <b>578,392</b>                                  |

**Council Tax**

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

In 2019/20, for Band D properties, the Council's Council Tax was set at £1,324.33. The full range of bandings is set out after the Council Tax Income Account.

**Council Tax Income Account**

| <b>2018/19<br/>£'000</b> |  | <b>2019/20<br/>£'000</b> |
|--------------------------|--|--------------------------|
| (153,679)                | Gross Assessments  | (162,474)                |
| (727)                    | Net band adjustments   | (1,149)                  |
| <b>(154,406)</b>         | <b>Council Tax Collectable</b>   | <b>(163,623)</b>         |
|                          | <i>Deduct:</i>   |                          |
| 13,290                   | Exemptions   | 13,479                   |
| 85                       | Disabled Relief  | 95                       |
| 14,052                   | Discounts  | 15,036                   |
| 3,196                    | Provision for non collection   | 4,722                    |
| 9,839                    | Council Tax Reduction  | 9,950                    |
| 73                       | Other  | 59                       |
| <b>(113,871)</b>         |  | <b>(120,282)</b>         |
|                          | <i>Add:</i>  |                          |
| (1,063)                  | Statutory Additions  | (1,139)                  |
| (1,608)                  | Prior Year Adjustments   | (1,420)                  |
| 26                       | Write Ons  | 24                       |
| <b>(116,516)</b>         | <b>Net Council Tax income for the year transferred to General Fund</b> | <b>(122,817)</b>         |

The calculation of the Council Tax Base 2019/20:

|                                     | 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) |                     |                      | 4               |               |               | 4               | 200/360  | 2                  |
| Band A                              | 23,743              | (4,211)              | 22              | (3,123)       | (672)         | 15,759          | 240/360  | 10,506             |
| Band B                              | 28,132              | (2,360)              | 9               | (3,423)       | (532)         | 21,827          | 280/360  | 16,977             |
| Band C                              | 19,312              | (1,462)              | (2)             | (1,795)       | (357)         | 15,696          | 320/360  | 13,952             |
| Band D                              | 16,463              | (2,015)              | 4               | (1,492)       | (429)         | 12,531          | 360/360  | 12,531             |
| Band E                              | 14,900              | (612)                | (3)             | (1,156)       | (240)         | 12,889          | 473/360  | 16,935             |
| Band F                              | 8,832               | (204)                | 4               | (540)         | (112)         | 7,981           | 585/360  | 12,969             |
| Band G                              | 7,774               | (120)                | (36)            | (337)         | (100)         | 7,181           | 705/360  | 14,063             |
| Band H                              | 1,065               | (17)                 | (2)             | (31)          | (27)          | 988             | 882/360  | 2,421              |
|                                     |                     |                      |                 |               |               |                 | <b>Total</b>                                   | <b>100,355</b>     |
|                                     |                     |                      |                 |               |               |                 | <b>Band D Equivalent Council Tax Reduction</b> | <b>(9,950)</b>     |
|                                     |                     |                      |                 |               |               |                 | <b>Contributions in Lieu</b>                   | <b>12</b>          |
|                                     |                     |                      |                 |               |               |                 | <b>Provision for Bad Debts (2.4%)</b>          | <b>(2,509)</b>     |
|                                     |                     |                      |                 |               |               |                 | <b>Council Tax Base</b>                        | <b>87,908</b>      |

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 2019/20 was £1,324.33 (2018/19, £1,267.30)

| Property Value (£) | Band | Proportion of Band D | Council Tax Level (£) |
|--------------------|------|----------------------|-----------------------|
| 27,000 or under    | A    | 240/360              | 882.89                |
| 27,001 – 35,000    | B    | 280/360              | 1030.03               |
| 35,001 – 45,000    | C    | 320/360              | 1,177.18              |
| 45,001 – 58,000    | D    | 360/360              | 1,324.33              |
| 58,001 – 80,000    | E    | 473/360              | 1,740.02              |
| 80,001 – 106,000   | F    | 585/360              | 2,152.04              |
| 106,001 – 212,000  | G    | 705/360              | 2,593.48              |
| Over 212,000       | H    | 882/360              | 3,244.61              |

## Common Good Fund

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<br>£'000 | Reserves Fund<br>£'000 | Total Common Good<br>£'000 |
|---|---------------------------|------------------------|----------------------------|
| <b>Balance at 1 April 2018</b>                    | <b>(114,316)</b>          | <b>(68)</b>            | <b>(114,384)</b>           |
| <b><u>Movement in Reserves during 2018/19</u></b> |                           |                        |                            |
| (Surplus) or Deficit on provision of services     | (6,163)                   | 0                      | (6,163)                    |
| <b>Total Comprehensive Expenditure and Income</b> | <b>(6,163)</b>            | <b>0</b>               | <b>(6,163)</b>             |
| <b>Balance at 31 March 2019 carried forward</b>   | <b>(120,479)</b>          | <b>(68)</b>            | <b>(120,547)</b>           |
| <b><u>Movement in Reserves during 2019/20</u></b> |                           |                        |                            |
| (Surplus) or Deficit on provision of services     | (3,602)                   | 0                      | (3,602)                    |
| <b>Total Comprehensive Expenditure and Income</b> | <b>(3,602)</b>            | <b>0</b>               | <b>(3,602)</b>             |
| <b>Balance at 31 March 2020</b>                   | <b>(124,081)</b>          | <b>(68)</b>            | <b>(124,149)</b>           |

## Comprehensive Income and Expenditure Statement

| 2018/19        |  | 2019/20                    |                       |                                      |
|----------------|--|----------------------------|-----------------------|--------------------------------------|
|                |  | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net (Income)<br>Expenditure<br>£'000 |
| 125            | Administration Costs                                       | 162                        | 0                     | 162                                  |
| 1,263          | Donations, Grants, Contributions etc.                      | 1,201                      | 0                     | 1,201                                |
| 114            | Civic Hospitality  | 121                        | 0                     | 121                                  |
| 39             | Funding of International Budget                            | 25                         | 0                     | 25                                   |
| 77             | Christmas Illuminations & Festivities                      | 48                         | 0                     | 48                                   |
| 132            | Civic Administration Unit                                  | 168                        | 0                     | 168                                  |
| 81             | Other Projects   | 89                         | 0                     | 89                                   |
| 226            | Miscellaneous Expenditure                                  | 160                        | 0                     | 160                                  |
| 662            | Specific Projects  | 3,453                      | 0                     | 3,453                                |
| 162            | Duthie Park HLF  | 65                         | 0                     | 65                                   |
| <b>2,881</b>   | <b>Cost Of Services</b>                                    | <b>5,492</b>               | <b>0</b>              | <b>5,492</b>                         |
|                | Other Operating Expenditure:                               |                            |                       |                                      |
| 0              | Gains/losses on the disposal of non current assets         |                            |                       | 0                                    |
|                | Financing and Investment Income and Expenditure:           |                            |                       |                                      |
| (3,681)        | Investment property income & expenditure                   |                            |                       | (3,284)                              |
| 0              | Interest receivable and other investment income            |                            |                       | 0                                    |
| <b>(800)</b>   | <b>(Surplus) or Deficit on Provision of Services</b>       |                            |                       | <b>2,208</b>                         |
| (5,363)        | (Surplus) or Deficit on revaluation of investment property |                            |                       | (5,810)                              |
| <b>(6,163)</b> | <b>Total Comprehensive Income and Expenditure</b>          |                            |                       | <b>(3,602)</b>                       |

## Balance Sheet

| <b>31 March 2019</b> |   | <b>31 March 2020</b> |
|----------------------|---|----------------------|
| <b>£'000</b>         |   | <b>£'000</b>         |
| 90,818               | Investment Property                             | 93,849               |
| <b>90,818</b>        | <b>Long Term Assets</b>                         | <b>93,849</b>        |
| 28,744               | Investments in Aberdeen City Council Loans Fund | 29,707               |
| 0                    | Investment Property Held for Sale               | 0                    |
| 1,366                | Short Term Debtors                              | 1,079                |
| <b>30,110</b>        | <b>Current Assets</b>                           | <b>30,786</b>        |
| (381)                | Short Term Creditors                            | (486)                |
| <b>(381)</b>         | <b>Current Liabilities</b>                      | <b>(486)</b>         |
| <b>120,547</b>       | <b>Net Assets</b>                               | <b>124,149</b>       |
| (120,479)            | Common Good Fund                                | 124,081              |
| (68)                 | Reserve Fund                                    | 68                   |
| <b>(120,547)</b>     | <b>Total Reserves</b>                           | <b>124,149</b>       |



Jonathan Belford, CPFA  
Chief Officer - Finance

6 May 2020

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).

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## Trust Funds and Endowments

The Council is responsible for the administration of various Trusts. They have been created by bequest or 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 2020 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

|                                      | Balance<br>as at 31<br>March<br>2019<br>£'000 | Transfer<br>between<br>Funds<br>£'000 | Revaluation<br>of<br>Investments<br>£'000 | Income<br>£'000 | Expenditure<br>£'000 | Balance<br>as at 31<br>March<br>2020<br>£'000 |
|--------------------------------------|---|---------------------------------------|---|-----------------|----------------------|---|
| <b>Charity</b>                       |   |                                       |   |                 |                      |   |
| EEIF                                 | (174)   | 0                                     | (1)                                       | (2)             | 3                    | (175)   |
| Guildry                              | (2,731)                                       | 0                                     | 89  | (14)            | 25                   | (2,631)                                       |
| Bridge of Don                        | (1,286)                                       | 0                                     | 67  | (3)             | 1                    | (1,220)                                       |
| Alexander MacDonald Bequest          | (31)  | 0                                     | 0   | 0               | 1                    | (31)  |
| Aberdeen Art Gallery Trust           | (26)  | 0                                     | 0   | (0)             | 0                    | (26)  |
| Lands of Skene                       | (1,197)                                       | 0                                     | 67  | (51)            | 51                   | (1,130)                                       |
| Lands of Torry                       | (1,366)                                       | 0                                     | 92  | (214)           | 214                  | (1,274)                                       |
| McBey Trust                          | (497)   | 0                                     | 0   | (5)             | 6                    | (496)   |
| <b>Total - Charitable Trusts</b>     | <b>(7,308)</b>                                | <b>0</b>                              | <b>314</b>                                | <b>(290)</b>    | <b>302</b>           | <b>(6,983)</b>                                |
|                                      |   |                                       |   |                 |                      |   |
|                                      |   |                                       |   |                 |                      |   |
| <b>Non Charity</b>                   |   |                                       |   |                 |                      |   |
| Educational Trusts                   | (1,333)                                       | 0                                     | 89  | (105)           | 105                  | (1,244)                                       |
| Endowment Funds                      |   |                                       |   |                 |                      |   |
| - Educational                        | (858)   | 0                                     | (6)                                       | (11)            | 2                    | (873)   |
| - Social Work                        | (364)   | 0                                     | (3)                                       | (5)             | 0                    | (372)   |
| Arts & Heritage                      | (74)  | 0                                     | 0   | (1)             | 1                    | (74)  |
| Graveyards                           | (19)  | 0                                     | 0   | (0)             | 2                    | (17)  |
| Monuments                            | (7)   | 0                                     | 0   | (0)             | 0                    | (7)   |
| John Rickart                         | (53)  | 0                                     | 0   | (1)             | 1                    | (53)  |
| McBey Trust                          | (71)  | 0                                     | 0   | (1)             | 1                    | (71)  |
| Glover House Ltd                     | 0   | 0                                     | 0   | 0               | 0                    | 0   |
| Aberdeen Japan Trust                 | (501)   | 0                                     | 0   | 0               | 8                    | (493)   |
| <b>Total - Non Charitable Trusts</b> | <b>(3,280)</b>                                | <b>0</b>                              | <b>80</b>                                 | <b>(123)</b>    | <b>119</b>           | <b>(3,204)</b>                                |
|                                      |   |                                       |   |                 |                      |   |
| <b>Total</b>                         | <b>(10,588)</b>                               | <b>0</b>                              | <b>394</b>                                | <b>(413)</b>    | <b>421</b>           | <b>(10,187)</b>                               |

## Investment of Funds

| Charitable<br>Trusts | Non-<br>Charitable<br>Trusts | Total           |  | Charitable<br>Trusts | Non-<br>Charitable<br>Trusts | Total           |
|----------------------|------------------------------|-----------------|--|----------------------|------------------------------|-----------------|
| 2018/19              | 2018/19                      | 2018/19         |  | 2019/20              | 2019/20                      | 2019/20         |
| £'000s               | £'000s                       | £'000s          |  | £'000s               | £'000s                       | £'000s          |
| 4,502                | 501                          | <b>5,003</b>    | Land & Buildings                         | 4,097                | 493                          | <b>4,590</b>    |
| 93                   | 834                          | <b>927</b>      | Equities - Listed                        | 92                   | 845                          | <b>938</b>      |
| 7                    | 34                           | <b>41</b>       | Gilt Edged Securities                    | 7                    | 34                           | <b>40</b>       |
| -                    | 354                          | <b>354</b>      | Bank                                     | -                    | 365                          | <b>365</b>      |
| 2,410                | 1,693                        | <b>4,103</b>    | Council Loans Fund                       | 2,488                | 1,571                        | <b>4,059</b>    |
| 400                  | -                            | <b>400</b>      | Other Investments - ACGIA                | 400                  | -                            | <b>400</b>      |
| 49                   | -                            | <b>49</b>       | Debtors                                  | 53                   | -                            | <b>53</b>       |
| (171)                | (136)                        | <b>(308)</b>    | Creditors                                | (174)                | (105)                        | <b>(278)</b>    |
| <b>7,289</b>         | <b>3,280</b>                 | <b>10,570</b>   |  | <b>6,965</b>         | <b>3,204</b>                 | <b>10,168</b>   |
| -                    | -                            | -               | Share Capital                            | -                    | -                            | -               |
| (4,605)              | (2,696)                      | <b>(7,301)</b>  | Unrestricted Funds                       | (4,436)              | (2,600)                      | <b>(7,037)</b>  |
| (122)                | (584)                        | <b>(706)</b>    | Endowment Funds                          | (125)                | (603)                        | <b>(728)</b>    |
| (2,563)              | -                            | <b>(2,563)</b>  | Designated Funds - Common Good Fund      | (2,403)              | -                            | <b>(2,403)</b>  |
| -                    | -                            | -               | Designated Funds - Grampian Health Board | -                    | -                            | -               |
| <b>(7,290)</b>       | <b>(3,280)</b>               | <b>(10,570)</b> |  | <b>(6,964)</b>       | <b>(3,203)</b>               | <b>(10,168)</b> |



Jonathan Belford, CPFA  
Chief Officer - Finance  
6 May 2020

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**

|  | <b>Total Usable Reserves (Page 53) £'000</b> | <b>Total Unusable Reserves (Note 12) £'000</b> | <b>Total Council Reserves £'000</b> | <b>Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000</b> | <b>Total Reserves £'000</b> |
|--|--|--|-------------------------------------|---|-----------------------------|
| <b>Balance at 31 March 2018</b>  | <b>(65,965)</b>                              | <b>(1,317,925)</b>                             | <b>(1,383,890)</b>                  | <b>(113,759)</b>  | <b>(1,497,649)</b>          |
|  |  |  |                                     |   | 0                           |
| <b>Movement in Reserves during 2018/19</b>   | <b>103,940</b>                               | <b>(8,962)</b>                                 | <b>94,978</b>                       | <b>(1,142)</b>  | <b>93,836</b>               |
| Adjustments between accounting basis & funding basis under regulations                       | (96,709)                                     | 96,709   | 0                                   | 0   | 0                           |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b> | <b>7,231</b>                                 | <b>87,747</b>                                  | <b>94,978</b>                       | <b>(1,142)</b>  | <b>93,836</b>               |
| Transfers to/from Earmarked Reserves & Statutory Reserves                                    | 64   | (64)   | 0                                   | 0   | 0                           |
| <b>Increase/Decrease in Year</b>   | <b>7,295</b>                                 | <b>87,683</b>                                  | <b>94,978</b>                       | <b>(1,142)</b>  | <b>93,836</b>               |
|  |  |  |                                     |   |                             |
| <b>Balance at 31 March 2019 carried forward</b>  | <b>(58,670)</b>                              | <b>(1,230,242)</b>                             | <b>(1,288,911)</b>                  | <b>(114,901)</b>  | <b>(1,403,812)</b>          |
|  |  |  |                                     |   |                             |
| <b>Movement in Reserves during 2019/20</b>   | <b>91,383</b>                                | <b>65,150</b>                                  | <b>156,533</b>                      | <b>10,035</b>   | <b>166,569</b>              |
| Adjustments between accounting basis & funding basis under regulations                       | (91,106)                                     | 91,106   | 0                                   |   | 0                           |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b> | <b>277</b>                                   | <b>156,256</b>                                 | <b>156,533</b>                      | <b>10,035</b>   | <b>166,569</b>              |
| Transfers to/from Earmarked Reserves & Statutory Reserves                                    | (1,666)                                      | 1,666  | 0                                   | 0   | 0                           |
| <b>Increase/Decrease in Year</b>   | <b>(1,389)</b>                               | <b>157,922</b>                                 | <b>156,533</b>                      | <b>10,035</b>   | <b>166,569</b>              |
|  |  |  |                                     |   |                             |
| <b>Balance at 31 March 2020</b>  | <b>(60,059)</b>                              | <b>(1,072,320)</b>                             | <b>(1,132,378)</b>                  | <b>(104,866)</b>  | <b>(1,237,244)</b>          |

## Group Comprehensive Income and Expenditure Statement

| 2018/19                    |                       |                          |  | 2019/20                    |                       |                          |
|----------------------------|-----------------------|--------------------------|--|----------------------------|-----------------------|--------------------------|
| Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |  | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
|                            |                       |                          | <b>Continued Operation</b>   |                            |                       |                          |
| 323,513                    | (39,645)              | 283,868                  | Operations   | 340,117                    | (57,627)              | 282,490                  |
| 106,060                    | (68,634)              | 37,426                   | Customer   | 101,457                    | (63,804)              | 37,653                   |
| 32,531                     | (2,520)               | 30,010                   | Commissioning  | 13,784                     | (5,004)               | 8,779                    |
| 52,914                     | (41,115)              | 11,799                   | Resources  | 193,464                    | (178,967)             | 14,498                   |
| 31,298                     | (7,301)               | 23,997                   | Place  | 34,091                     | (9,547)               | 24,545                   |
| 3,751                      | (1,388)               | 2,363                    | Governance   | 5,592                      | (2,309)               | 3,283                    |
| 226,726                    | (140,291)             | 86,434                   | Integration Joint Board  | 236,387                    | (145,080)             | 91,306                   |
| 36,111                     | 7,145                 | 43,256                   | Corporate  | 60,473                     | (821)                 | 59,651                   |
| 116,789                    | (96,162)              | 20,628                   | Housing Revenue Account  | 125,133                    | (100,460)             | 24,674                   |
| <b>929,692</b>             | <b>(389,910)</b>      | <b>539,780</b>           | <b>Cost of Services</b>  | <b>1,110,498</b>           | <b>(563,619)</b>      | <b>546,878</b>           |
| 0                          | (72)                  | (72)                     | Other Operating Expenditure  | 1,137                      | 0                     | 1,137                    |
| 97,968                     | (50,559)              | 47,409                   | Financing and Investment Income and Expenditure                                      | 104,343                    | (54,553)              | 49,790                   |
| 0                          | (480,930)             | (480,930)                | Taxation and Non Specific Grant Income   | 0                          | (501,268)             | (501,268)                |
| <b>1,027,659</b>           | <b>(921,471)</b>      | <b>106,189</b>           | <b>(Surplus) or Deficit on Provision of Services</b>                                 | <b>1,215,978</b>           | <b>(1,119,439)</b>    | <b>96,539</b>            |
|                            |                       | 2,122                    | Share of (surplus) or deficit on the provision of services of Associates and JV      |                            |                       | 1,833                    |
|                            |                       | <b>108,311</b>           | <b>Group (Surplus)/Deficit</b>   |                            |                       | <b>98,372</b>            |
|                            |                       | (14,763)                 | (Surplus)/deficit on revaluation of Property, Plant and Equipment assets             |                            |                       | (10,883)                 |
|                            |                       | 0                        | (Surplus)/deficit on revaluation of available for sale financial assets              |                            |                       | (5,810)                  |
|                            |                       | (4,416)                  | Actuarial (gains)/losses on pension assets/liabilities                               |                            |                       | 87,167                   |
|                            |                       | 5,059                    | Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures |                            |                       | (372)                    |
|                            |                       | (354)                    | Other (gains)/losses   |                            |                       | (1,906)                  |
|                            |                       | (14,474)                 | Other Comprehensive Income and Expenditure   |                            |                       | 68,196                   |
|                            |                       | <b>93,836</b>            | <b>Total Comprehensive Income and Expenditure</b>                                    |                            |                       | <b>166,569</b>           |

## Group Balance Sheet

| <b>31 March 2019</b> |   | <b>31 March 2020</b> |
|----------------------|---|----------------------|
| <b>£000</b>          |   | <b>£000</b>          |
| 2,440,453            | Property ,Plant and Equipment (note xi)                                   | 2,156,656            |
| 239,246              | Investment Property (note xii)  | 634,193              |
| 31,350               | Long Term Investments and/or Investments in Associates and Joint Ventures | 28,622               |
| 197,691              | Heritage Assets   | 197,819              |
| 7,542                | Long Term Debtors   | 7,540                |
| <b>2,916,284</b>     | <b>Long Term Assets</b>   | <b>3,024,831</b>     |
|                      |   |                      |
| 45,213               | Short Term Investments  | 50,454               |
| 2,244                | Inventories   | 2,446                |
| 89,888               | Short Term Debtors  | 85,642               |
| 74,214               | Cash and Cash Equivalents   | 106,810              |
| 6,054                | Assets held for Sale  | 4,017                |
| <b>217,613</b>       | <b>Current Assets</b>   | <b>249,369</b>       |
|                      |   |                      |
| (171,553)            | Short Term Borrowing  | (182,325)            |
| (83,792)             | Short Term Creditors  | (96,859)             |
| (5,259)              | Provisions  | (2,253)              |
| (4,230)              | PPP Short Term Liabilities  | (3,020)              |
| (2,989)              | Capital Grants Receipts in Advance  | (25,589)             |
| (13,158)             | Revenue Grants Receipts in Advance  | (712)                |
| (5,607)              | Other Short Term Liabilities  | (6,129)              |
| <b>(286,588)</b>     | <b>Current Liabilities</b>  | <b>(316,887)</b>     |

## Group Balance Sheet

| <b>31 March 2019</b><br><b>£'000</b> |  | <b>31 March 2020</b><br><b>£'000</b> |
|--------------------------------------|--|--------------------------------------|
| (13)                                 | Long Term Creditors                          | 0                                    |
| (551)                                | Provisions                                   | (613)                                |
| (895,954)                            | Long Term Borrowing                          | (1,021,809)                          |
| (1,627)                              | Liabilities in Associates and Joint Ventures | (1,601)                              |
| (138,223)                            | PPP Long Term Liabilities                    | (135,202)                            |
| (58,029)                             | Other Long Term Liabilities                  | (57,602)                             |
| (349,100)                            | Pension Liabilities                          | (503,242)                            |
| <b>(1,443,497)</b>                   | <b>Long Term Liabilities</b>                 | <b>1,237,244</b>                     |
| <b>1,403,812</b>                     | <b>Net Assets</b>                            | <b>1,237,244</b>                     |
| (58,669)                             | Usable Reserves                              | (60,058)                             |
| (1,230,242)                          | Unusable Reserves                            | (1,072,320)                          |
| 2,314                                | Group - Usable Reserves                      | 6,608                                |
| (117,215)                            | Group - Unusable Reserves                    | (111,474)                            |
| <b>(1,403,812)</b>                   | <b>Total Reserves</b>                        | <b>(1,237,244)</b>                   |



Jonathan Belford, CPFA  
Chief Officer - Finance  
6 May 2020

**Group Cash Flow**

| <b>31 March 2019</b><br><b>£000</b> |  | <b>31 March 2020</b><br><b>£000</b> |
|-------------------------------------|--|-------------------------------------|
| (108,311)                           | Net surplus or (deficit) on the provision of services  | (98,372)                            |
| 165,092                             | Adjust net surplus or deficit on the provision of services for non cash movements  | 204,719                             |
| (43,161)                            | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (44,992)                            |
| <b>13,620</b>                       | <b>Net cash flows from Operating Activities (note 13)</b>  | <b>61,356</b>                       |
| (119,847)                           | Net cash flows from Investing Activities (note 14)   | (165,867)                           |
| 118,195                             | Net Cash flows from Financing Activities (note 15)   | 137,107                             |
| <b>11,968</b>                       | <b>Net increase or (decrease) in cash and cash equivalents</b>   | <b>32,596</b>                       |
|                                     |  |                                     |
| 62,245                              | Cash and Cash equivalent at the beginning of the reporting period  | 74,214                              |
| <b>74,214</b>                       | <b>Cash and Cash equivalent at the end of the reporting period</b>   | <b>106,810</b>                      |

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**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 2020, 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 2019 to 31 March 2020, 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 28 February 2019, 31 July 2019 and 29 February 2020. 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%. Included as Joint Ventures are Aberdeen Sports Village (the joint venture with The University of Aberdeen) and the Integration Joint Board which is consolidated as a Joint Venture with NHS Grampian.



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**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 £33.9 million in 2019/20 (2018/19 £35.2 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 2019/20, the partners contributed £327 million in funding to the IJB (£315 million 2018/19).

## Associates

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

Grampian Valuation Joint Board     39%

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 Sport Scotland 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 £105 million (2018/19, increase of £115 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 2019/20            | ACC Control<br>% | Commitment<br>to meet<br>accumulated<br>deficits<br>% | Net Assets /<br>(liabilities)<br>£'000 | Surplus /<br>(deficit)<br>for the year<br>£'000 | The accounts can be acquired from  |
|---|------------------|---|--|---|--|
| <b>Subsidiaries</b>                       |                  |   |  |   |  |
| Aberdeen Exhibition and Conference Centre | 100              | 100   | 361                                    | 0   | AECC, The Conference Centre, Bridge of Don, Aberdeen   |
| Common Good                               | 100              | 100   | 124,149                                | (2,209)   | Head of Finance, Aberdeen City Council   |
| Trust Funds                               | 100              | 100   | 7,781                                  | (9)   | Head of Finance, Aberdeen City Council   |
| Sport Aberdeen Limited                    | 100              | 100   | (3,294)                                | 403   | Broadford House, Broadford Road, Bridge of Don, Aberdeen, AB23 8EE   |
| Bon Accord Care Limited                   | 100              | 100   | (21,848)                               | (3,155)   | Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP  |
| Bon Accord Support Services Limited       | 100              | 100   | (1,532)                                | (186)   | Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP  |
| <b>Joint Ventures</b>                     |                  |   |  |   |  |
| Aberdeen Sports Village Limited           | 50               | 50  | 33,863                                 | (743)   | University of Aberdeen, Kings College, Old Aberdeen AB24 3FX   |
| Intregation Joint Board                   | 50               | 50  | 2,598                                  | (2,979)   | 50 Frederick Street, Aberdeen, AB24 5HY  |
| <b>Associates</b>                         |                  |   |  |   |  |
| Grampian Valuation Joint Board            | 39               | 39  | (4,101)                                | 72  | 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 2019, AH&P Ltd made a profit of £490,594 (2017/18, £791,179 profit) and the net assets of the company were £3,638,883 (2017/18, £3,148,289). Turnover was £3,988,769 (2017/18, £3,806,071). 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 2018/19, Aberdeen City Council contributed £81,000 (2017/18, £51,000) 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 2018/19 show a deficit of £193,000 (2017/18, £338,000 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. The accounts for 2019/20 are being prepared.

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 2019 net assets amounted to £300,696 (2017/18, £302,132) with a loss for the year of £1,436 (2017/18, £2,325 loss). The accounts for 2018/19 are being prepared. It is anticipated that there will be no significant changes as at March 2020. 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 2019/20, Aberdeen City Council contributed £30,000 (2018/19, £95,000) towards the costs of the organisations.

Scotland Excel is the Centre of Procurement Expertise for the Local Government sector in Scotland. Established in 2008, their remit is to work collaboratively with members and suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. Scotland Excel is funded by member requisitions. For 2019/20, Aberdeen City Council contributed £147,414 (2018/19, £140,311) towards the cost of these services. This represents Aberdeen City Council's share at 4%.

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

| 2018/19<br>£'000 |   | 2019/20<br>£'000 |
|------------------|---|------------------|
| 50,088           | Interest payable and similar charges  | 53,684           |
| 7,617            | Pensions interest cost and expected return on pensions assets                               | 8,239            |
| (1,433)          | Interest receivable and similar income  | (2,035)          |
| (6,977)          | Income and expenditure in relation to investment properties and changes in their fair value | (6,800)          |
| (1,886)          | Other investment income   | (3,298)          |
| <b>47,409</b>    | <b>Total</b>  | <b>49,790</b>    |

## Note vii Cash Flow Statement – Group Operating Activities

| 2018/19<br>£'000 |  | 2019/20<br>£'000 |
|------------------|--|------------------|
| (108,311)        | * Net surplus or (deficit) on the provision of services  | (98,372)         |
| <b>(108,311)</b> | *  | <b>(98,372)</b>  |
|                  | <b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>   |                  |
| 71,918           | Depreciation   | 73,985           |
| 65,976           | Impairment, downward revaluations & non sale derecognitions  | 35,562           |
| (426)            | (Increase)/Decrease in Stock   | (202)            |
| (22,003)         | (Increase)/Decrease in Debtors   | 5,095            |
| 18,847           | Increase/(Decrease) in Creditors   | 29,202           |
| 26,474           | Payments to Pension fund   | 63,594           |
| 0                | Carrying amount of non current assets sold   | 0                |
| 1,411            | Carrying amount of written off assets  | 1,949            |
| (931)            | Contributions to Other Reserves / Provisions   | (1,246)          |
| 2,822            | Movement in value of investment properties   | (430)            |
| 1,004            | Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures             | (2,790)          |
| <b>165,092</b>   |  | <b>204,720</b>   |
|                  | <b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b> |                  |
| (42,097)         | Receipt of Capital Grants and Contributions  | (44,180)         |
| (1,063)          | Proceeds from the sale of PP&E, investment property and intangible assets  | (811)            |
|                  | Bond EIR adjustment  |                  |
| <b>(43,160)</b>  |  | <b>(44,992)</b>  |
| <b>13,621</b>    | <b>Net cash flows from operating activities</b>  | <b>61,357</b>    |

**Note viii Cash Flow Statement – Group Investing Activities**

| <b>2018/19<br/>£'000</b> |  | <b>2019/20<br/>£'000</b> |
|--------------------------|--|--------------------------|
| (216,936)                | Purchase of property, plant and equipment, investment property and intangible assets                           | (206,311)                |
| 53,929                   | Purchase/(Sale) of short term and long term investments  | (4,535)                  |
| 1,715                    | Proceeds from the sale of property, plant and equipment, investment property and intangible assets             | 1,421                    |
| (652)                    | Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals | (622)                    |
| 42,097                   | Capital grants and contributions received  | 44,180                   |
| <b>(119,846)</b>         | <b>Net cash flows from investing activities</b>  | <b>(165,867)</b>         |

**Note ix Cash Flow Statement – Group Financing Activities**

| <b>2018/19<br/>£'000</b> |  | <b>2019/20<br/>£'000</b> |
|--------------------------|--|--------------------------|
| (32)                     | Other receipts from financing activities   | (32)                     |
| 122,764                  | Repayments of short term and long term borrowing   | 141,766                  |
|                          | Bond EIR Adjustment  |                          |
| (4,537)                  | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts | (4,627)                  |
| <b>118,195</b>           | <b>Net cash flows from Financing activities</b>  | <b>137,107</b>           |

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

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

| <b>31 March 2019<br/>£'000</b> |  | <b>31 March 2020<br/>£'000</b> |
|--------------------------------|--|--------------------------------|
| 39                             | Cash held by officers                  | 38                             |
| 74,175                         | Bank current accounts                  | 106,772                        |
| <b>74,214</b>                  | <b>Total cash and cash equivalents</b> | <b>106,810</b>                 |

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

Movements in 2018/19:

|  | <b>Council Dwellings</b> | <b>Other Land and Buildings</b> | <b>Vehicles, Plant &amp; Equipment</b> | <b>Infrastructure Assets</b> | <b>Community Assets</b> | <b>Surplus Assets</b> | <b>Assets under Construction</b> | <b>Total Property, Plant &amp; Equipment</b> | <b>PP Assets Included in Property, Plant &amp; Equipment</b> |
|--|--------------------------|---------------------------------|--|------------------------------|-------------------------|-----------------------|----------------------------------|--|--|
|  | <b>£'000</b>             | <b>£'000</b>                    | <b>£'000</b>                           | <b>£'000</b>                 | <b>£'000</b>            | <b>£'000</b>          | <b>£'000</b>                     | <b>£'000</b>                                 | <b>£'000</b>   |
| <b>Cost or Valuation</b>                       |                          |                                 |  |                              |                         |                       |                                  |  |  |
| <b>At 1 April 2018</b>                         | <b>977,884</b>           | <b>924,978</b>                  | <b>61,303</b>                          | <b>275,776</b>               | <b>28,235</b>           | <b>11,697</b>         | <b>280,528</b>                   | <b>2,560,400</b>                             | <b>178,906</b>   |
| Additions                                      | 37,054                   | 50,463                          | 3,627                                  | 11,305                       | 1,538                   | 445                   | 152,385                          | 256,817                                      | 39,588   |
| Revaluations                                   | (24,402)                 | (58,847)                        | 0                                      | 0                            | 0                       | (8,839)               | 0                                | (92,088)                                     | (11,550)   |
| Derecognition / Disposals                      | (91)                     | (698)                           | (2,303)                                | (2,009)                      | 0                       | (150)                 | 0                                | (5,251)                                      | 0  |
| Transfers                                      | 7,440                    | (3,287)                         | 0                                      | 65,274                       | 0                       | 2,074                 | (71,112)                         | 389  | 6,062  |
| <b>At 31 March 2019</b>                        | <b>997,885</b>           | <b>912,609</b>                  | <b>62,627</b>                          | <b>350,346</b>               | <b>29,773</b>           | <b>5,227</b>          | <b>361,801</b>                   | <b>2,720,267</b>                             | <b>213,006</b>   |
| <b>Accumulated Depreciation and Impairment</b> |                          |                                 |  |                              |                         |                       |                                  |  |  |
| <b>At 1 April 2018</b>                         | <b>(56,852)</b>          | <b>(54,784)</b>                 | <b>(33,046)</b>                        | <b>(103,125)</b>             | <b>0</b>                | <b>0</b>              | <b>0</b>                         | <b>(247,807)</b>                             | <b>(9,244)</b>   |
| Depreciation Charge                            | (30,160)                 | (25,014)                        | (7,638)                                | (9,108)                      | 0                       | 0                     | 0                                | (71,920)                                     | (3,082)  |
| Depreciation & Impairment written out          | 160                      | 35,167                          | 0                                      | 0                            | 0                       | 0                     | 0                                | 35,327                                       | 0  |
| Derecognition / Disposals                      | 6                        | 279                             | 2,171                                  | 2,009                        | 0                       | 0                     | 0                                | 4,465  | 0  |
| Transfers                                      | 0                        | 121                             | 0                                      | 0                            | 0                       | 0                     | 0                                | 121  | 0  |
| <b>At 31 March 2019</b>                        | <b>(86,846)</b>          | <b>(44,231)</b>                 | <b>(38,513)</b>                        | <b>(110,224)</b>             | <b>0</b>                | <b>0</b>              | <b>0</b>                         | <b>(279,814)</b>                             | <b>(12,326)</b>  |
| <b>Net Book Value</b>                          |                          |                                 |  |                              |                         |                       |                                  |  |  |
| <b>At 31 March 2019</b>                        | <b>911,039</b>           | <b>868,378</b>                  | <b>24,114</b>                          | <b>240,122</b>               | <b>29,773</b>           | <b>5,227</b>          | <b>361,801</b>                   | <b>2,440,453</b>                             | <b>200,680</b>   |
| <b>At 31 March 2018</b>                        | <b>921,032</b>           | <b>870,194</b>                  | <b>28,257</b>                          | <b>172,651</b>               | <b>28,235</b>           | <b>11,697</b>         | <b>280,528</b>                   | <b>2,312,593</b>                             | <b>169,662</b>   |



## Movements in 2019/20:

|  | 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   |
| <b>Cost or Valuation</b>                       |                   |                          |                             |                       |                  |                |                           |                                   |   |
| <b>At 1 April 2019</b>                         | <b>997,885</b>    | <b>912,609</b>           | <b>62,627</b>               | <b>350,346</b>        | <b>29,773</b>    | <b>5,227</b>   | <b>361,801</b>            | <b>2,720,267</b>                  | <b>213,016</b>                                    |
| Additions                                      | 50,527            | 9,736                    | 10,781                      | 19,604                | 520              | 103            | 115,025                   | 206,295                           | 365   |
| Revaluations                                   | (33,201)          | (16,074)                 | 0                           | 0                     | 0                | (2,042)        | 0                         | (51,317)                          | (20,775)  |
| Derecognition / Disposals                      | 0                 | 0                        | (2,391)                     | 0                     | 0                | 0              | 0                         | (2,391)                           | 0   |
| Transfers                                      | 0                 | 26,961                   | 0                           | 0                     | 0                | 5,519          | (424,277)                 | (391,797)                         | 0   |
| <b>At 31 March 2020</b>                        | <b>1,015,211</b>  | <b>933,232</b>           | <b>71,017</b>               | <b>369,950</b>        | <b>30,293</b>    | <b>8,807</b>   | <b>52,549</b>             | <b>2,481,057</b>                  | <b>192,606</b>                                    |
| <b>Accumulated Depreciation and Impairment</b> |                   |                          |                             |                       |                  |                |                           |                                   |   |
| <b>At 1 April 2019</b>                         | <b>(86,846)</b>   | <b>(44,231)</b>          | <b>(38,513)</b>             | <b>(110,224)</b>      | <b>0</b>         | <b>0</b>       | <b>0</b>                  | <b>(279,814)</b>                  | <b>(12,326)</b>                                   |
| Depreciation Charge                            | (31,900)          | (22,886)                 | (7,598)                     | (11,600)              | 0                | 0              | 0                         | (73,984)                          | (3,673)   |
| Depreciation & Impairment written out          | 0                 | 26,759                   | 0                           | 0                     | 0                | 0              | 0                         | 26,759                            | 15,408  |
| Derecognition / Disposals                      | 0                 | 0                        | 2,384                       | 0                     | 0                | 0              | 0                         | 2,385                             | 0   |
| Transfers                                      | 0                 | 253                      | 0                           | 0                     | 0                | 0              | 0                         | 253                               | 0   |
| <b>At 31 March 2020</b>                        | <b>(118,746)</b>  | <b>(40,105)</b>          | <b>(43,727)</b>             | <b>(121,824)</b>      | <b>0</b>         | <b>0</b>       | <b>0</b>                  | <b>(324,402)</b>                  | <b>(591)</b>                                      |
| <b>Net Book Value</b>                          |                   |                          |                             |                       |                  |                |                           |                                   |   |
| <b>At 31 March 2020</b>                        | <b>896,465</b>    | <b>893,127</b>           | <b>27,290</b>               | <b>248,126</b>        | <b>30,293</b>    | <b>8,807</b>   | <b>52,549</b>             | <b>2,156,656</b>                  | <b>192,015</b>                                    |
| <b>At 31 March 2019</b>                        | <b>911,039</b>    | <b>868,378</b>           | <b>24,114</b>               | <b>240,122</b>        | <b>29,773</b>    | <b>5,227</b>   | <b>361,801</b>            | <b>2,440,453</b>                  | <b>200,690</b>                                    |

**Note xii Investment Properties**

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

|   | <b>2018/19</b> | <b>2019/20</b> |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| Rental and interest income from investment property | (8,946)        | (11,642)       |
| Expenses arising from investment property           | 2,658          | 8,728          |
| Revaluation (gains)/losses                          | 2,842          | (26)           |
| <b>Net (gain)/loss</b>                              | <b>(3,446)</b> | <b>(2,940)</b> |

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

|  | <b>2018/19</b> | <b>2019/20</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| <b>Balance at start of the year</b>          | 237,203        | 239,246        |
| Additions:                                   |                |                |
| • Purchases                                  | 472            | 0              |
| Disposals                                    | (409)          | (1,830)        |
| Net gains/losses from fair value adjustments | 1,966          | 3,052          |
| Transfers:                                   |                |                |
| • to/from Inventories                        | 0              | 393,725        |
| • to/from Property, Plant and Equipment      | 14             | 0              |
| <b>Balance at end of the year</b>            | <b>239,246</b> | <b>634,193</b> |

**Note xiii Loans and Trading Balances with subsidiaries as at 31 March 2019 and 2020 are as follows:**

|                                 | Loans            |                  | Debtors          |                  | Creditors        |                  |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 |
| AECC                            | 0                |                  | 0                |                  | 0                |                  |
| Bon Accord Care Ltd             | 0                |                  | 0                | 14               | 0                | (84)             |
| Bon Accord Support Services Ltd | 0                |                  | 5,406            | 7,175            | (3,667)          | (3,352)          |
| Sport Aberdeen                  | (2,980)          | (2,695)          | 16               | 1                | (34)             | (3)              |
| Common Good                     | (19,187)         | (20,702)         | 0                |                  | 0                |                  |
| Trust Funds                     | (4,028)          | (3,984)          | 0                |                  | 0                |                  |
|                                 | <b>(26,195)</b>  | <b>(27,381)</b>  | <b>5,422</b>     | <b>7,190</b>     | <b>(3,701)</b>   | <b>(3,439)</b>   |

**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

| 2018/19                         | Share of Operating<br>(surplus)/deficit<br>£'000          | Share of Total<br>Assets<br>£'000 | Share of Total<br>Liabilities<br>£'000 | Share of Net<br>Assets<br>/Liabilities<br>£'000 |
|---------------------------------|---|-----------------------------------|--|---|
| <b>Associates</b>               |   |                                   |  |   |
| Grampian Valuation Joint Board  | 191   | 549                               | (1,963)                                | (1,414)   |
| <b>Associates Total</b>         | <b>191</b>  | <b>549</b>                        | <b>(1,963)</b>                         | <b>(1,414)</b>                                  |
| <b>Joint Venture</b>            |   |                                   |  |   |
| Aberdeen Sports Village Limited | 416   | 23,194                            | (5,556)                                | 17,638  |
| Integration Joint Board         | 1,364   | 4,074                             | (1,285)                                | 2,789   |
| <b>Joint Ventures Total</b>     | <b>1,780</b>  | <b>27,268</b>                     | <b>(6,841)</b>                         | <b>20,427</b>                                   |
| <b>2019/20</b>                  |   |                                   |  |   |
|                                 | <b>Share of Operating<br/>(surplus)/deficit<br/>£'000</b> | <b>Total Assets<br/>£'000</b>     | <b>Total<br/>Liabilities<br/>£'000</b> | <b>Net Assets<br/>/Liabilities<br/>£'000</b>    |
| <b>Associates</b>               |   |                                   |  |   |
| Grampian Valuation Joint Board  | (28)  | 554                               | (2,153)                                | (1,599)   |
| <b>Associates Total</b>         | <b>(28)</b>   | <b>554</b>                        | <b>(2,153)</b>                         | <b>(1,599)</b>                                  |
| <b>Joint Venture</b>            |   |                                   |  |   |
| Aberdeen Sports Village Limited | 372   | 22,535                            | (5,603)                                | 16,932  |
| Integration Joint Board         | 1,490   | 1,312                             | (13)                                   | 1,299   |
| <b>Joint Ventures Total</b>     | <b>1,862</b>  | <b>23,847</b>                     | <b>(5,616)</b>                         | <b>18,231</b>                                   |

**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 deficit for the year is £2,140,000 (2018/19, £279,000 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 2019/20 BASS made a deficit of £404,000 while BAC realised a loss of £6,436,000.

**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 2018/19 was £72,000 (2017/18, £90,000).

**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**

|                                | <b>2018/19</b> |  | <b>2019/20</b> |
|--------------------------------|----------------|--|----------------|
|                                | <b>£'000</b>   |  | <b>£'000</b>   |
| Grampian Valuation Joint Board | 37             |  | 0              |
| <i>To Be Updated</i>           |                |  |                |

**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'.

|                                | <b>2018/19</b>   | <b>2019/20</b>   |
|--------------------------------|------------------|------------------|
|                                | <b>£'000</b>     | <b>£'000</b>     |
| ACC                            | (332,108)        | (473,890)        |
| <u>Share of Associates</u>     |                  |                  |
| Grampian Valuation Joint Board | (1,959)          | (1,959)          |
| <b>Total</b>                   | <b>(334,067)</b> | <b>(475,849)</b> |

**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 2019/20.*

**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*



## **Charitable Trusts**

Draft Annual Report and Financial Statements

For the year ended  
31 March 2020

Registered Numbers:

Guldry & Mortification Funds - 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 2019/20**

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 7 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,  
St Vincent Street,  
Glasgow  
G2 5AS

### **Secretary**

Fraser Bell  
Chief Officer - Governance,  
Aberdeen City Council

### **Treasurer**

Jonathan Belford, CPFA  
Chief Officer - Finance,  
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                       | Councillor Claire Imrie                                  |
| Councillor Yvonne Allan                            | Councillor Freddie John                                  |
| Councillor Christian Allard                        | Councillor Jenny Laing                                   |
| Councillor Alison Alphonse                         | Councillor Douglas Lumsden                               |
| Councillor Gillian Al-Samarai                      | Councillor Sandra MacDonald                              |
| Councillor Phillip Bell                            | Councillor Neil MacGregor                                |
| Councillor Marie Boulton                           | Councillor Avril MacKenzie                               |
| Councillor David Cameron                           | Councillor Catriona MacKenzie -<br>(resigned 28/08/2019) |
| Councillor John Cooke                              | Councillor M. Tauqeer Malik                              |
| Councillor Neil Copland                            | Councillor Tom Mason                                     |
| Councillor Bill Cormie                             | Councillor Alexander McLellan                            |
| Councillor Sarah Cross -<br>(appointed 04/10/2019) | Councillor Ciaran McRae                                  |
| Councillor Stephen Delaney                         | Councillor Jessica Mennie -<br>(appointed 04/10/2019)    |
| Councillor Alan Donnelly                           | Councillor Alex Nicol                                    |
| Councillor Jackie Dunbar                           | Councillor Audrey Nicol -<br>(appointed 21/11/2019)      |
| Councillor Lesley Dunbar                           | Councillor Jim Noble                                     |
| Councillor Sarah Duncan                            | Councillor John Reynolds                                 |
| Councillor Stephen Flynn                           | Councillor Phillip Sellar                                |
| Councillor Gordon Graham                           | Councillor Jennifer Stewart                              |
| Councillor Ross Grant                              | Councillor Alexander Stuart -<br>(died 10/07/2019)       |
| Councillor Martin Greig                            | Councillor Gordon Townson                                |
| Councillor Dell Henrickson                         | Councillor John Wheeler                                  |
| Councillor Ryan Houghton                           | Councillor Ian Yuill                                     |
| Councillor Brett Hunt -<br>(resigned 11/07/2019)   |  |
| Councillor Michael Hutchison                       |  |

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.

## **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 1,200 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.

### 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 and Mortification Funds

The Guildry has a history that goes back 800 years ago, when merchants of Aberdeen were given considerable powers within the town of Aberdeen, those merchants were Burgesses of the Guild. Over time that power has diminished, and the trusteeship of the Guildry switched to a predecessor of Aberdeen City Council.

The Burgesses of Guild of the City and Royal Burgh of Aberdeen remain a membership-based group of people where membership is no longer restricted to merchants and admission is carried out in the presence of the Council. Today the Burgesses exist 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 scheme of educational bursaries.

The Lord Dean of the Guild of the City and Royal Burgh of Aberdeen provides recommendations on expenditure proposals, from the Burgesses, to the Guildry and Mortifications Board of the Council, maintaining that link between the Burgesses and the Guildry and Mortification Funds charity. As trustees for the charity, the Council, must approve any decisions.

Educational bursaries have not been awarded for a number of years and the Lord 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.

Recently, work on drafting a revised constitution to enable participation in a wider range of charitable activities has been carried out and an application to OSCR aims to be ready in 2020/21.

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 £227k in 2018/19 to £281k in 2019/20.

Total Expenditure increased from £224k in 2018/19 to £290k in 2019/20. The Trusts made £1k more in donations, paid £44k more free revenue to the Common Good and Mortification Funds and administration costs increased by £14k.

The value of Investments fell by £405 in 2019/20 compared to a decrease of £23k 2018/19.

Investments in the City of Aberdeen Loans Fund have decreased from £3.244 million in 2018/19 to £3.237 million in 2019/20.

This has resulted in a decrease in Net Assets from £8.124 million in 2018/19 to £7.712 million in 2019/20.

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 Trusts 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.

## **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 £7,569 million which are made up of unrestricted funds of £3.940 million and designated funds of £3.629 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 and Mortification Funds. 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 and Mortification Funds 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 initial conversations have taken place with OSCR. Work continues to have this ready for trustee approval as soon as possible.

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. The future of this trust and the Aberdeen Art Gallery Trusts will be reviewed in due course as both trusts have minimal funds.

**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 on behalf of the trustees on 30 June 2020.

.....  
Douglas Lumsden

## Appendix 1

### Charity Name, Number and Purpose

| <b>Charity Name</b>                  | <b>Charity Number</b> | <b>Purpose</b>  | <b>Governing Document</b>  |
|--------------------------------------|-----------------------|---|--|
| Guildry & Mortification Funds        | SC011857              | 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  |
| Lands of Skene                       | SC018533              |   | Unavailable  |
| Lands of Torry                       | SC021299              | The advancement of Education  | Unavailable  |
| Education Endowment Investment Funds | SC025063              | The advancement of Education and the advancement of the Arts, Heritage, Culture and Science | 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 2020**

|   |             | Unrestricted<br>Funds<br>2019/20<br>£'000 | Restricted<br>Funds<br>2019/20<br>£'000 | Endowment<br>Funds<br>2019/20<br>£'000 | <b>Total<br/>Funds<br/>2019/20<br/>£'000</b> | <b>Total<br/>Funds<br/>2018/19<br/>£'000</b> |
|---|-------------|---|---|--|--|--|
|   | <u>Note</u> |   |   |  |  |  |
| <b>Income and endowments from:</b>      |             |   |   |  |  |  |
| Incoming resources from generated funds |             |   |   |  |  |  |
| Donations & Legacies                    |             | 1   | -                                       | -                                      | 1  | -  |
| Investments                             | 2           | 280                                       | -                                       | -                                      | 280  | 227  |
| Total                                   |             | <u>281</u>                                | <u>-</u>                                | <u>-</u>                               | <u>281</u>                                   | <u>227</u>                                   |
| <b>Expenditure on:</b>                  |             |   |   |  |  |  |
| Charitable Activities                   | 3,4         | 290                                       | -                                       | -                                      | 290  | 224  |
| Total                                   |             | <u>290</u>                                | <u>-</u>                                | <u>-</u>                               | <u>290</u>                                   | <u>224</u>                                   |
| Net income/expenditure                  |             | (9)                                       | -                                       | -                                      | (9)  | 3  |
| <b>Other recognised gains/(losses):</b> |             |   |   |  |  |  |
| Gains/(losses) on investment assets     |             | (404)                                     | -                                       | 1                                      | (403)  | (24)   |
| Net movement in funds                   |             | <u>(413)</u>                              | <u>-</u>                                | <u>1</u>                               | <u>(412)</u>                                 | <u>(21)</u>                                  |
| <b>Reconciliation of funds</b>          |             |   |   |  |  |  |
| Total funds brought forward             |             | 8,003                                     | -                                       | 121                                    | 8,124  | 8,145  |
| <b>Total funds carried forward</b>      |             | <u><b>7,590</b></u>                       | <u><b>-</b></u>                         | <u><b>122</b></u>                      | <u><b>7,712</b></u>                          | <u><b>8,124</b></u>                          |

**Aberdeen City Council Charitable Trusts  
Balance Sheet as at 31 March 2020**

|   | <u>Note</u> | <b>2020</b><br><b>£'000</b> | <b>2019</b><br><b>£'000</b> |
|---|-------------|-----------------------------|-----------------------------|
| <b>Fixed assets</b>   |             |                             |                             |
| Investments   | 5           | 4,197                       | 4,602                       |
| <b>Total fixed assets</b>                                   |             | <b>4,197</b>                | <b>4,602</b>                |
| <b>Current assets</b>                                       |             |                             |                             |
| Stocks and work-in-progress                                 |             | 1                           | 1                           |
| Debtors   | 6           | 53                          | 48                          |
| Investments - City of Aberdeen Loans Fund                   | 7           | 3,237                       | 3,244                       |
| Cash at bank - Guildry Investment Account                   |             | 400                         | 400                         |
| <b>Total current assets</b>                                 |             | <b>3,690</b>                | <b>3,693</b>                |
| <b>Liabilities</b>  |             |                             |                             |
| Creditors: Amounts falling due within one year              | 8           | (174)                       | (171)                       |
|   |             | <b>(174)</b>                | <b>(171)</b>                |
| Net current assets/(liabilities)                            |             | <b>3,515</b>                | <b>3,522</b>                |
| <b>Net asset/(liabilities )</b>                             |             | <b>7,712</b>                | <b>8,124</b>                |
| <b>The funds of the charity</b>                             |             |                             |                             |
| Endowment funds   |             | 125                         | 122                         |
| Restricted income funds                                     |             | -                           | -                           |
|   |             | <b>125</b>                  | <b>122</b>                  |
| Unrestricted income funds:                                  |             |                             |                             |
| Designated Funds:   |             |                             |                             |
| Common Good Fund  |             | 2,403                       | 2,563                       |
| Dr Duncan Liddel's Mortification - Professor of Mathematics |             | 630                         | 675                         |
| Dr Duncan Liddel's Mortification - Library of College       |             | 31                          | 34                          |
| James Cargill Mortification - Bursary Fund                  |             | 257                         | 275                         |
| Patrick Copland's Mortification - Professor of Divinity     |             | 308                         | 330                         |
| Unrestricted funds  |             | 3,958                       | 4,125                       |
| <b>Total unrestricted funds</b>                             |             | <b>7,587</b>                | <b>8,002</b>                |
| <b>Total charity funds</b>                                  | 9           | <b>7,712</b>                | <b>8,124</b>                |

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

The financial statements were approved and authorised for issue by the trustees on 30 June 2020.

.....  
Douglas Lumsden

**Aberdeen City Council Charitable Trusts**  
**Statement of Cash Flows**  
**For the year ended 31 March 2020**

| <u>Note</u>  | Total<br>Funds<br>£'000 | Prior Year<br>Funds<br>£'000 |
|--|-------------------------|------------------------------|
| <b>Net cash used in operating activities</b>           | <b>(242)</b>            | <b>(270)</b>                 |
| <b>Cash Flows from investing activities</b>            |                         |                              |
| Dividends, interest and rents from investments         | 227                     | 197                          |
| Proceeds from sale of investments                      | 10                      | 10                           |
| <b>Net cash provided by investing activities</b>       | <b>237</b>              | <b>207</b>                   |
| <b>Change in cash and cash equivalents in the year</b> | <b>(5)</b>              | <b>(63)</b>                  |
| Cash and cash equivalents brought forward              | 3,649                   | 3,712                        |
| <b>Cash and cash equivalents carried forward</b>       | <b>3,644</b>            | <b>3,649</b>                 |

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2020**

**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 2020 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.

**Recognition of revenue and expenditure**

All income and expenditure due to be paid or received in respect of the year ended 31 March 2020 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 2020**

**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 2020**

**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 2020**

|   | <b>2020</b>       | <b>2019</b>       |
|---|-------------------|-------------------|
|   | <b>£'000</b>      | <b>£'000</b>      |
| <b>2 INVESTMENT INCOME</b>                                  |                   |                   |
| Interest receivable   | 36                | 56                |
| Rent from Investment Properties                             | 244               | 171               |
| Share of lands free revenue                                 | -                 | -                 |
|   | <u><b>280</b></u> | <u><b>227</b></u> |
| <b>3 CHARITABLE ACTIVITIES</b>                              |                   |                   |
| Donations and expenditures                                  | 7                 | 6                 |
| Payments to Beneficiaries:                                  |                   |                   |
| Common Good Fund  | 111               | 67                |
| Dr Duncan Liddel's Mortification - Professor of Mathematics | 57                | 36                |
| Dr Duncan Liddel's Mortification - Library of College       | -                 | 2                 |
| James Cargill Mortification - Bursary Fund                  | 22                | 15                |
| Patrick Copland's Mortification - Professor of Divinity     | 26                | 17                |
| Property costs  | 18                | 45                |
|   | <u><b>241</b></u> | <u><b>188</b></u> |
| <b>4 GOVERNANCE COSTS</b>                                   |                   |                   |
| Accounting and administration                               | 41                | 27                |
| Audit Fee   | 7                 | 9                 |
|   | <u><b>49</b></u>  | <u><b>36</b></u>  |



**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2020**

|   | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|
|   | <b>£'000</b>        | <b>£'000</b>        |
| <b>5 TANGIBLE FIXED ASSETS</b>            |                     |                     |
| Market Value at 1 April                   | 4,602               | 4,634               |
| Net investment gains/(losses)             | (405)               | (22)                |
| Disposals                                 |                     | (10)                |
| Market Value at 31 March                  | <u><b>4,197</b></u> | <u><b>4,602</b></u> |
| Investments at market value<br>Comprised: |                     |                     |
| Investment Properties                     | 4,097               | 4,502               |
| Gilts                                     | 7                   | 7                   |
| Equities                                  | <u>92</u>           | <u>93</u>           |
|   | <u><b>4,197</b></u> | <u><b>4,602</b></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.

|   |              |              |
|---|--------------|--------------|
| <b>6 DEBTORS</b>                            |              |              |
| Prepayments & accrued income                | <u>53</u>    | <u>48</u>    |
| <b>7 INVESTMENTS HELD AS CURRENT ASSETS</b> |              |              |
| City of Aberdeen Loan Funds                 | <u>3,237</u> | <u>3,244</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.

|   |            |            |
|---|------------|------------|
| <b>8 CREDITORS: Amounts falling due within one year</b> |            |            |
| Accruals and deferred income                            | 174        | 171        |
| Short Term Loan - Aberdeen City Council                 | -          | -          |
|   | <u>174</u> | <u>171</u> |

| <b>9 ANALYSIS OF NET ASSETS IN FUNDS</b> | <b>Tangible fixed assets</b> | <b>Current assets (liabilities)</b> | <b>Total</b> | <b>Total</b> |
|--|------------------------------|-------------------------------------|--------------|--------------|
|  | <b>£'000</b>                 | <b>£'000</b>                        | <b>£'000</b> | <b>£'000</b> |
| Unrestricted funds                       | <u>4,197</u>                 | <u>3,515</u>                        | <u>7,712</u> | <u>8,124</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 2020**

|   | 2020<br>£'000 | 2019<br>£'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>35</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)            | (412)         | (21)          |
| Adjustments for:  |               |               |
| (Gains)/losses on investments   | 403           | 24            |
| Dividends, interest and rents from investments  | (281)         | (227)         |
| Decrease/(increase) in stocks   | 0             | 1             |
| Decrease/(increase) in debtors  | (5)           | -             |
| Increase/(decrease) in creditors  | 3             | (19)          |
| Net cash provided by (used in) operating activities   | <u>(291)</u>  | <u>(242)</u>  |
| 13 ANALYSIS OF CASH AND CASH EQUIVALENTS  |               |               |
| Investments - City of Aberdeen Loans Fund   | 3,237         | 3,244         |
| Cash at bank - Guildry Investment Account   | <u>400</u>    | <u>400</u>    |
|   | <u>3,637</u>  | <u>3,644</u>  |

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2020**

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 2019 | Funds                     | £'000          | £'000      | £'000        | 2020       |                 |
|                             | £'000      | £'000                     |                |            |              | £'000      |                 |
| EEIF                        | SC025063   | (173)                     | -              | (1)        | (3)          | 3          | (174)           |
| Guildry                     | SC011857   | (2,748)                   | -              | 89         | (14)         | 26         | (2,647)         |
| Bridge of Don               | SC018551   | (1,286)                   | -              | 67         | (3)          | 1          | (1,221)         |
| Alexander MacDonald Bequest | SC018568   | (31)                      | -              | -          | (0)          | 1          | (30)            |
| Aberdeen Art Gallery Trust  | SC018575   | (27)                      | -              | -          | (0)          | 0          | (27)            |
| Lands of Skene              | SC018533   | (3,989)                   | -              | 223        | (52)         | 51         | (3,767)         |
| Lands of Torry              | SC021299   | (2,680)                   | -              | 181        | (214)        | 214        | (2,499)         |
| <b>Total</b>                |            | <b>(10,934)</b>           | <b>-</b>       | <b>559</b> | <b>(286)</b> | <b>296</b> | <b>(10,365)</b> |

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 2019 | Funds  | £'000          | £'000      | £'000        | 2020       |                |
|                             | £'000      | £'000  |                |            |              | £'000      |                |
| EEIF                        | SC025063   | (173)  | -              | (1)        | (3)          | 3          | (174)          |
| Guildry                     | SC011857   | (1,018)  | -              | -          | (11)         | 26         | (1,003)        |
| Bridge of Don               | SC018551   | (1)  | -              | -          | (1)          | 1          | (1)            |
| Alexander MacDonald Bequest | SC018568   | (32)   | -              | -          | -            | -          | (32)           |
| Aberdeen Art Gallery Trust  | SC018575   | (27)   | -              | -          | -            | -          | (27)           |
| Lands of Skene              | SC018533   | (4,193)  | -              | 223        | (52)         | 46         | (3,976)        |
| Lands of Torry              | SC021299   | (2,680)  | -              | 181        | (214)        | 214        | (2,499)        |
| <b>Total</b>                |            | <b>(8,124)</b>   | <b>-</b>       | <b>403</b> | <b>(281)</b> | <b>290</b> | <b>(7,712)</b> |

# Aberdeen City Council Charitable Trusts

## Notes to the Accounts

### For the year ended 31 March 2020

#### 15 ANALYSIS OF CHARITABLE TRUSTS BALANCE SHEETS

| Charity Name               | Charity Number | Individual Trust Balances |                   |                      |                                |                |  |            |           |             |              |                    | Total<br>£'000 |
|----------------------------|----------------|---------------------------|-------------------|----------------------|--------------------------------|----------------|--|------------|-----------|-------------|--------------|--------------------|----------------|
|                            |                | Gilts<br>£'000            | Equities<br>£'000 | Investments<br>£'000 | Heritable<br>Property<br>£'000 | Stock<br>£'000 | Investment<br>Aberdeen<br>City Council |            | Cash at   |             |              | Provision<br>£'000 |                |
|                            |                |                           |                   |                      |                                |                | Loans                                  | Fund       | Bank      | Debtors     | Creditors    |                    |                |
| EEIF                       | SC025063       | 7                         | 92                | -                    | -                              | -              | 76                                     | -          | -         | -           | -            | -                  | 175            |
| Guildry                    | SC011857       | -                         | -                 | 1,506                | -                              | 1              | 744                                    | 400        | 0         | (3)         | -            | -                  | 2,647          |
| Bridge of Don              | SC018551       | -                         | -                 | 1,130                | -                              | -              | 241                                    | -          | -         | -           | (150)        | -                  | 1,220          |
| Alexander McDonald Bequest | SC018568       | -                         | -                 | -                    | -                              | -              | 31                                     | -          | -         | -           | -            | -                  | 31             |
| Aberdeen Art Gallery Trust | SC018575       | -                         | -                 | -                    | -                              | -              | 26                                     | -          | -         | -           | -            | -                  | 26             |
| Lands of Skene             | SC018533       | -                         | -                 | -                    | 1,623                          | -              | 2,136                                  | -          | 6         | (0)         | -            | -                  | 3,765          |
| Lands of Torry             | SC021299       | -                         | -                 | -                    | 2,474                          | -              | 0                                      | -          | 46        | (21)        | -            | -                  | 2,500          |
| <b>Total</b>               |                | <b>7</b>                  | <b>92</b>         | <b>2,636</b>         | <b>4,097</b>                   | <b>1</b>       | <b>3,253</b>                           | <b>400</b> | <b>52</b> | <b>(24)</b> | <b>(150)</b> | <b>(150)</b>       | <b>10,365</b>  |

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.

| Charity Name               | Charity Number | Individual Trust Balances after adjusting for intra trust transactions |                   |                      |                                |                |  |            |           |             |              |                    | Total<br>£'000 |
|----------------------------|----------------|--|-------------------|----------------------|--------------------------------|----------------|--|------------|-----------|-------------|--------------|--------------------|----------------|
|                            |                | Gilts<br>£'000   | Equities<br>£'000 | Investments<br>£'000 | Heritable<br>Property<br>£'000 | Stock<br>£'000 | Investment<br>Aberdeen<br>City Council |            | Cash at   |             |              | Provision<br>£'000 |                |
|                            |                |  |                   |                      |                                |                | Loans                                  | Fund       | Bank      | Debtors     | Creditors    |                    |                |
| EEIF                       | SC025063       | 7  | 92                | -                    | -                              | -              | 76                                     | -          | -         | -           | -            | -                  | 175            |
| Guildry                    | SC011857       | -  | -                 | -                    | -                              | 1              | 605                                    | 400        | 0         | (3)         | -            | -                  | 1,003          |
| Bridge of Don              | SC018551       | -  | -                 | -                    | -                              | -              | 151                                    | -          | -         | -           | (150)        | -                  | 1              |
| Alexander McDonald Bequest | SC018568       | -  | -                 | -                    | -                              | -              | 32                                     | -          | -         | -           | -            | -                  | 32             |
| Aberdeen Art Gallery Trust | SC018575       | -  | -                 | -                    | -                              | -              | 26                                     | -          | -         | -           | -            | -                  | 26             |
| Lands of Skene             | SC018533       | -  | -                 | -                    | 1,623                          | -              | 2,347                                  | -          | 6         | -           | -            | -                  | 3,976          |
| Lands of Torry             | SC021299       | -  | -                 | -                    | 2,474                          | -              | -                                      | -          | 46        | (21)        | -            | -                  | 2,499          |
| <b>Total</b>               |                | <b>7</b>   | <b>92</b>         | <b>-</b>             | <b>4,097</b>                   | <b>1</b>       | <b>3,237</b>                           | <b>400</b> | <b>52</b> | <b>(24)</b> | <b>(150)</b> | <b>(150)</b>       | <b>7,712</b>   |