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

Town House,
ABERDEEN, 29 June 2020

URGENT BUSINESS COMMITTEE

The undernoted items are circulated in connection with the meeting of the **URGENT BUSINESS COMMITTEE** to be held remotely on **TUESDAY, 30 JUNE 2020 at 2.00pm.**

FRASER BELL
CHIEF OFFICER - GOVERNANCE

In accordance with UK and Scottish Government guidance, meetings of this Committee will be held remotely as required. In these circumstances the meetings will be recorded and thereafter published on the Council's website at the following [link](#)

B U S I N E S S

BUSINESS

- 7.2 External Audit Annual Audit Report (Pages 3 - 64)
- 7.3 Audited Annual Accounts 2019/20 - RES/20/097 (Pages 65 - 248)
- 7.4 Financial Resilience Recovery Plan - RES/20/101 (Pages 249 - 254)
Members, please note that this document is an addendum to the original report with the latest information available.

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Aberdeen City Council

Annual audit report to the Members of Aberdeen City Council and the Controller of Audit for the year ended
31 March 2020

DRAFT 30 June 2020

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About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of Aberdeen City Council ("the Council") and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the introduction and responsibilities sections of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Andy Shaw, who is the engagement leader for our services to the Council, telephone 0131 527 6673, email: andrew.shaw@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6682 or email to hugh.harvie@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Fiona Kordiak, Director of Audit Services, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

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Audit opinion

We expect to issue an unqualified opinion on the truth and fairness of the state of the Council's affairs as at 31 March 2020, and of the deficit for the year then ended.

There were no matters identified on which we are required to report by exception.

At the time of drafting a number of aspects of the audit are substantially complete and progress has been ahead of prior years in most areas. However a significant amount of audit work requires final conclusion, primarily related to complex areas and following receipt of management estimates, adjustments and revised financial statements, in respect of:

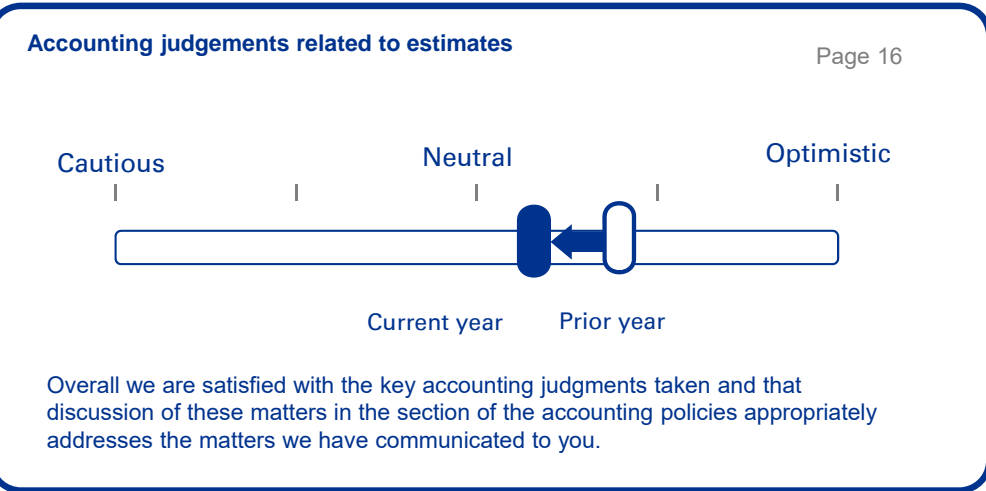
- Agreement of complex audit adjustments related to the categorisation and valuation of TECA.
- Agreement of processed audit adjustments related to bond accounting, pensions, AHFS, accruals, in revised financial statements.
- Audit of consolidation and associated adjustments.
- Review of additional disclosures recommended for inclusion in the revised financial statements.
- Receipt of a small number of sample items related to expenditure, remuneration, pensions, treasury.
- Completion of testing in respect of some financial statement disclosures including associated audit checklists and the cash flow statement.

Executive summary (continued)

DRAFT

Page 6

Uncorrected audit misstatements		Page 49
Understatement/(overstatement)		
	£m	%
Deficit on provision of services	(3.6)	0.3
Net assets	3.6	0.3
Corrected audit misstatements		Page 47
Understatement/(overstatement)		
	£m	%
Deficit on provision of services	96.9	8.7
Net assets	(96.9)	7.8



Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of Aberdeen City Council (the Council) under part VII of the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2016-17 to 2021-22, inclusive.

Our annual audit report is designed to summarise our opinions and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at the Council and the Controller of Audit. The scope and nature of our audit are set out in our audit strategy document which was presented to the Audit, Risk and Scrutiny Committee (ARSC) on 12 February 2020.

Audit Scotland’s Code of Audit Practice (“the Code”) sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of wider scope areas. The reports incorporates both aspects of the Code.

Accountable officer responsibilities

The Code sets out Aberdeen City Council’s responsibilities in respect of:

- corporate governance;
- financial statements and related reports;
- standards of conduct for prevention and detection of fraud and error
- financial position; and
- Best Value.

Auditor responsibilities

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK) issued by the Financial Reporting Council and the Code. Appendix seven sets out how we have met each of the responsibilities set out in the Code.

Scope

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. Weaknesses or risks identified are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist.

Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Under the requirements of ISA 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity.

This report to those charged with governance and our presentation to ARSC, together with previous reports to ARSC throughout the year, discharges the requirements of ISA 260.

Limitations on work performed

This Report is separate from our audit report in the annual accounts and does not provide an additional opinion on the Council’s annual accounts nor does it add to or extend or alter our duties and responsibilities as auditors in accordance with the Code.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The Council will need to consider whether to give public notice in respect of this report under the Market Abuse Regulation as well as the Disclosure and Transparency Rules. We draw attention to the section, “About this report” on the contents page.

Audit opinion

Following approval of the annual accounts by the UBC we expect to issue an unqualified opinion on the truth and fairness of the state of the Council's affairs as at 31 March 2020, and of the deficit for the year then ended. We also expect to issue an unqualified opinion on the truth and fairness of the state of the Aberdeen City Council Charitable Trusts' affairs as at 31 March 2020. The long form audit opinion, prepared as a requirement of the Council's status as an EU Public Interest Entity, in accordance with ISA 700, is included in the annual accounts. There were no matters identified on which we are required to report by exception.

Financial reporting framework, legislation and other reporting requirements

The Council is required to prepare its annual accounts in accordance with International Financial Reporting Standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 ("the CIPFA Code"), and in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Our audit confirmed that the annual accounts have been prepared in accordance with the CIPFA Code and relevant legislation. The Aberdeen City Council Charitable Trust's financial statements are prepared in accordance with the Charities SORP (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audits confirmed that the annual accounts have been prepared in accordance with the relevant charity accounting legislation.

Annual accounts preparation and audit readiness

The statutory deadlines are ordinarily 30 June 2020 for unaudited accounts and 30 September 2020 for audited accounts however due to Covid-19 Scottish Government confirmed that under the Coronavirus (Scotland) Act 2020 local authority bodies can vary the timetable with the statutory deadline extended to require audited accounts by 30 November 2020. This extension is consistent with other sectors and regulator / audit practitioner communications which recognise the additional challenge of preparing and auditing financial statements remotely and additional audit considerations which may be required in respect of the impact of Covid-19.

The Council continued to meet the accelerated financial reporting timetable for 2019-20, with complete draft accounts approved on 6 May 2020 and good support provided to facilitate access to information and complete audit testing. There is scope for officers to more completely consider complex accounting transactions in advance of the audit in order to reduce the likelihood of audit misstatements and reduce the audit duration. **At the time of preparation some areas of the audit are ongoing, largely due to additional consideration being given to areas due to Covid-19 and in respect of judgements and estimates. These are summarised in red text and on page three.**

Statutory reports

We have not identified any circumstances to notify the Controller of Audit that indicate a statutory report may be required.

Other communications

We did not encounter any significant difficulties during the audit. There were no other significant matters arising from the audit that were discussed, or subject to correspondence with management that have not been included within this report. There are no other matters arising from the audit, that, in our professional judgement, are significant to the oversight of the financial reporting process.

Audit misstatements

seven audit misstatements were identified during the audit, of which six were adjusted. There is one unadjusted audit misstatements.

Written representations

Our representation letter does not include any additional representations to those that are standard as required for our audit.

Materiality

We summarised our approach to materiality in our audit strategy document. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that the level of materiality set at planning was still relevant.

We used a materiality of £9.2 million for the Council's standalone financial statements, and £9.3 million for the Group financial statements. This equates to 1% of cost of services expenditure, adjusted for revaluation decreases recognised in the year. We designed our procedures to detect errors in specific accounts at a lower level of precision than our materiality. For the standalone accounts our performance materiality was £5.8 million. For the Group accounts it was £6 million. We report all identified misstatements greater than £250,000.

Forming our opinions and conclusions

In gathering the evidence for the above opinions and conclusions we:

- performed controls testing and substantive procedures to ensure that key risks to the annual accounts have been covered;
- communicated with the head of internal audit and reviewed internal audit reports as issued to ARSC to ensure all key risk areas which may be viewed to have an impact on the annual accounts had been considered;
- reviewed estimates and accounting judgements made by management and considered these for appropriateness;
- considered the potential effect of fraud on the annual accounts through discussions with senior management and internal audit to gain a better understanding of the work performed in relation to the prevention and detection of fraud; and
- attended ARSC meetings to communicate our findings to those charged with governance, and to update our understanding of the key governance processes.

Significant risks and other focus areas in relation to the audit of the financial statements

We summarise below the risks of material misstatement as reported within the audit strategy document.

Significant risks:

- Management override of controls fraud risk;
- Expenditure recognition fraud risk;
- Retirement benefits*; and
- Revaluation of council dwellings, other land and buildings, surplus assets and investment properties*.

In accordance with paragraph 19A of ISA 700, we are required to describe those assessed risks of material misstatement which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team, in our audit opinion. The * matters shown above have had the greatest effect on the overall audit strategy, the allocation of resources in the audit and on directing the efforts of the engagement team. These are the Key Audit Matters. We report on these areas in our financial statements annual audit opinion.

We also previously identified an audit focus area in respect of Capital Expenditure.

Since preparing the audit strategy the UK entered lockdown and we considered the potential impact of Covid-19 on our audit approach and the identified significant risks and estimates including within the financial statements as part of the audit. Our conclusions are incorporated throughout this report.

KPMG determined that in the current environment there would be a rebuttable presumption of at least a material uncertainty in respect of going concern in all audit opinions. We have rebutted this presumption in respect of the Council.

No further significant risks or other matters were identified during our audit work.

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p>Management override of controls fraud risk</p> <p>Management is typically in a position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>This is an assumed risk per ISA 240 <i>The Auditor's responsibilities related to fraud in the audit of financial statements</i>.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. We did not identify any specific additional risks of management override relating to the audit of the Council.</p> <p>Strong oversight of finances by management provides additional review of potential material errors caused by management override of controls.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> — controls testing and substantive procedures, including over journal entries and accounting estimates (such as over property revaluations and pensions); and — review of significant transactions that are outside the Council's normal course of business, or are otherwise unusual. There are no such external transactions however during 2019-20 the TECA project substantially completed and associated assets were categorised and their values reflected. We do not consider there to be a fraud risk associated with this process. 	<p><i>We did not identify any indicators of management bias or management fraud.</i></p> <p>Our testing of journal entries was satisfactory and we have obtained sufficient audit evidence as a result of the planned procedures. No issues were identified.</p> <p>We challenged management judgements and estimates regarding elements of TECA as summarised on page eleven.</p>

Significant risks (continued)

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p>Expenditure recognition fraud risk</p> <p>Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. This requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We do not consider that there is a significant risk in relation to improper income recognition, given the nature of the Council's income; being primarily statutory, solely related to the financial year, readily supported by third party evidence and therefore has a limited risk of manipulation.</p> <p>We consider that there is not a risk of improper recognition of expenditure in respect of payroll costs, financing and investment expenditure, and depreciation. These costs are routine in nature and have limited risk of manipulation. As other operating expenditure is unlikely to be material, we also rebut the assumed risk in respect of this account.</p> <p>We have not rebutted the assumed risk in respect of the remaining expenditure accounts (£634 million) within the £1,017 million (in 2018-19) gross expenditure.</p>	<p>We performed the following testing:</p> <ul style="list-style-type: none"> — Comparison of the outturn with the in year budget monitoring, considering variances from budgeted reserves utilisation to actual utilisation. — Testing of controls specific to capital versus revenue allocation. — Testing of expenditure cut-off including a search for unrecorded liabilities. — Detailed testing of transactions focusing on the areas of greatest risk, including creditors, accruals and provisions to challenge completeness of these balances. — Review and challenge of management in respect of estimates for evidence of bias. — Testing of journal entries in relation to expenditure for evidence of management bias. 	<p><i>We have concluded that that expenditure is appropriately recognised.</i></p> <p>We obtained sufficient, appropriate evidence for variances from budgeted reserves utilisation to actual utilisation.</p> <p>No exceptions were identified in respect of the specific controls testing, and testing of high risk expenditure journals.</p> <p>Our testing of accruals and transactions post year end identified adjustments 3 and 5 of capital expenditure paid in Apr 2020 but for capital works completed in Mar 2020, which had not been included in the financial statements which may be due to draft accounts preparation deadlines.</p> <p><i>Adjusted audit difference (see page 47)</i></p> <p>No indications of management bias were identified.</p>

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p>Revaluation of council dwellings, other land and buildings, surplus assets and investment properties</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a rolling revaluation model which sees certain land and buildings revalued over a five year cycle. In 2019-20 the following assets were revalued:</p> <ul style="list-style-type: none"> — Sports grounds / clubhouses; — 3R's (PPP) schools; — Education House; — Car parks; — Halls; and — Operational miscellaneous. <p>Given the quantum of the carrying values and the inherent use of assumptions in their valuation, we consider there to be significant risk of misstatement.</p> <p>In addition to those assets revalued in year, the Council will have to evidence how it satisfies itself that the other assets not revalued in 2019-20 are not materially misstated.</p> <p>During the year refurbishment of the Aberdeen Art Gallery was completed and the property became operational. Therefore the costs will be transferred from Assets Under Construction into Operational Buildings, at which time a valuation in use will be required.</p> <p>The Council also holds £146 million (as at 31 March 2019) investment property which is subject to annual revaluation and similarly we consider there to be a risk of misstatement arising from the use of assumptions in the valuations.</p>	<p>Our procedures included:</p> <p>Control design:</p> <ul style="list-style-type: none"> — Understanding the extent of the Council's involvement in the valuation process to assess if appropriate oversight occurred. — Assessing the approach that the Council has adopted to evaluate the risk that the carrying value of assets not subject to valuation is materially misstated and consider the robustness of that approach. — Assessing the risk of the valuation changing materially during the year, or between the date of valuation and the year end. <p>Assessing valuer's credentials:</p> <ul style="list-style-type: none"> — In relation to those assets which have been revalued during the year, critically assessing the independence, professional qualifications, competence and experience of the Council valuer. <p>Assessing methodology choice and benchmarking assumptions:</p> <ul style="list-style-type: none"> — Utilising our internal specialist to critically assess the methodology used by the Council's valuer by considering if the valuations are in accordance with the RICS Valuation Professional Standards 'the Red Book' and accounting standards. — Challenging the key assumptions upon which the valuations were based for a sample of properties, by making a comparison to our own assumption ranges derived from market data. — Meeting with the Council's valuer to understand the assumptions and methodologies used in valuing the assets revalued during 2019-20 and the market evidence used to support the assumptions. — Challenging the Council's assessment of why it considers that the land and buildings not revalued in 2019-20 are not materially misstated, by reference to market evidence relevant to the assets. — Challenging judgements and estimates related to the categorisation and basis of valuation of elements of the TECA development as they become complete. — Challenging the Council's assessment of the potential impact of Covid-19 on the carrying value of assets as at 31 March 2020. 	<p>We found the resulting valuation of council dwellings, other land and buildings, surplus assets and investment properties to be acceptable, with the exception of TECA (see below)</p> <p>Control design:</p> <p>We continue to recommend greater management consideration of complex accounting transactions in advance of the audit in the context of the above.</p> <p style="text-align: right;">2016-17 recommendation one (page 57)</p> <p>Assessing valuer's credentials</p> <p>We concluded that the Council's valuer is appropriately qualified, competent and experienced to prepare the Council's valuations.</p> <p>Assessing methodology choice and benchmarking assumptions:</p> <p>Significant elements of the TECA development were completed in Summer 2019 and became operational. In the draft financial statements, all completed assets were transferred to investment property and reflected at cost.</p> <p>We challenged management throughout the audit to set out the basis of these decisions and held a number of discussions including senior officers, Council and KPMG valuers.</p> <p>The Council's valuers have included a material uncertainty in their valuation reports. We required management to disclose this in their financial statements.</p> <p>On 17 June 2020, a provisionally agreed position was reached which required additional valuations to be prepared by the Council's valuer. These were received on 26 June 2020 and our consideration of them is not yet concluded.</p>

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p>Revaluation of council dwellings, other land and buildings, surplus assets and investment properties</p> <p>Continued.....</p> <p>The Marischal Square development was valued for the second time in 2018-19 and new leases have been signed with tenants in 2019-20, giving rise to potential change in the carrying value of this investment property (£55 million as at 31 March 2019).</p> <p>During 2019-20 The Events Centre Aberdeen ("TECA") construction was completed and the costs previously included in Assets Under Construction (£326 million as at 31 March 2019) and the additional costs in 2019-20 will have to be transferred to Investment Properties.</p> <p>This represents a Key Audit Matter in the audit opinion.</p>	<p>Continued.....</p> <p>Input assessment</p> <ul style="list-style-type: none"> Assessing the observable inputs used in the valuations by reference to supporting evidence. <p>Our sector expertise</p> <ul style="list-style-type: none"> Assessing, in light of our knowledge of the Group's assets and changes in market conditions, the assumptions used compared to our own expectations. <p>Assessing transparency</p> <ul style="list-style-type: none"> Considering the adequacy of the disclosures in respect of the sensitivity of the valuations to assumptions made by the Council's valuer, particularly with respect to the material uncertainty clause included in valuation certificates related to Covid-19. Considering the adequacy of the disclosures made in respect of significant judgements made by management in respect of the categorisation and basis of valuation of components of the TECA development as they complete. 	<p>At the time of drafting, and following audit feedback on an initial calculation, the Council has reassessed the detailed adjustments which are required to reflect updated categorisation and basis of valuation in the financial statements. This is complex and involved separation of the total project cost and land areas by individual asset.</p> <p>Similarly, KPMG review of the updated valuations, components, useful life and cost estimation is ongoing following receipt on 22 June 2020 and 26 June 2020.</p> <p>Adjusted audit difference (see page 47)</p> <p>The following separable identifiable assets have been determined, categorised and valued by the Council – representing significant judgements and estimates.</p> <ul style="list-style-type: none"> P&J Live (exhibition centre): specialised operational asset valued at depreciated replacement cost. Downward revaluation, reflected in other comprehensive expenditure, from £266.5 million to £246.0 million. Two hotels: investment properties valued at market value. Downward revaluation reflected in surplus/deficit on provision of services, from £84.5 million to £14 million. Energy Centre: investment property and reflected at cost in year one due to the unavailability of a reliable market value as operations commence and customer base grows (intended to be at market value in a future period). Carrying amount £39.0 million of which the majority relates to equipment. Associated development land which is marketed and subject to a commercial development agreement: investment property reflected at market value. Upward revaluation reflected in surplus/deficit on provision of services, from £3.5 million to £4.3 million. <p>As a consequence of the above, assets completed in the year at a cost of £393.7 million are now reflected at a cumulative amount of £318.7 million.</p> <p>Audit challenge also resulted in upward revision of the market value of the old exhibition centre site from £6.1 million to £10.9 million to reflect development land which had not been valued for inclusion in the draft financial statements</p>

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p>Revaluation of council dwellings, other land and buildings, surplus assets and investment properties</p> <p>Continued.....</p>	<p>Continued.....</p>	<p>Input assessment</p> <p>For each of the assets sampled, management supported the key inputs to the asset valuation.</p> <p>Our sector expertise</p> <p>Our internal valuation specialist challenged the Council's valuer in terms of assumptions and comparable evidence as set out opposite. Support for the assumptions used was provided, for each of the assets selected for testing. The Council's valuer also provided extensive evidence of recent market transactions and comparable sales.</p> <p>Assessing transparency</p> <p>We reviewed the additional disclosures in respect of the Council Valuers materiality uncertainty clauses, valuation sensitivity analysis in respect of estimates and significant judgement in classification and basis for valuation for completed elements of the TECA project.</p> <p>.</p>

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p>Retirement benefits</p> <p>The net pension liability (£309.3 million as at 31 March 2020), including assets of £1.32 billion) represents a material element of the Council's balance sheet. The Council is an admitted body of North East Scotland Pension Fund, which had its last triennial valuation completed as at 31 March 2017. The next triennial valuation will take place as at 31 March 2020, however this will not impact the Council contributions until the 2021-22 financial year.</p> <p>Small changes in the assumptions and estimates relating to discount rate, inflation rate, mortality/life expectancy and rate of increase in pensionable salaries which are used to value the pension obligation (before deducting scheme assets) would have a significant effect on the pension liability.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the pension benefit obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the annual accounts as a whole, and possibly many times that amount.</p> <p>This represents a Key Audit Matter in the audit opinion.</p>	<p>Our audit approach included:</p> <p>Control design:</p> <ul style="list-style-type: none"> Testing the design and operating effectiveness of controls over the provision of membership information to the actuary to calculate the pension obligation. <p>Test of Details:</p> <ul style="list-style-type: none"> Test of detail of the year end cashflows, membership details, and asset rate of returns. <p>Benchmarking assumptions:</p> <ul style="list-style-type: none"> Challenging, with the support of our own actuarial specialists, the key assumptions used by the actuary (the discount rate, inflation rate and mortality/life expectancy) against externally derived data. Challenging the rate of increase in pensionable salaries assumption, by comparing it to other evidence such as business and transformation plans and our understanding of Government and staff expectations. <p>Assessing transparency:</p> <ul style="list-style-type: none"> Considering the adequacy of the disclosures in respect of the sensitivity of the deficit to the assumptions used by the actuary. 	<p><i>We are satisfied that the retirement benefit obligation:</i></p> <ul style="list-style-type: none"> <i>is correctly recognised on the balance sheet as at 31 March 2020;</i> <i>has been accounted for and disclosed correctly in line with IAS19 Retirement benefits; and</i> <i>assumptions used in calculating this estimate and management's judgements are appropriate, balanced and within a range which we consider to be acceptable.</i> <p>Control design:</p> <p>Results of testing of controls in respect of provision of information to the actuary were satisfactory.</p> <p>Test of Details:</p> <p>Results of test of details were satisfactory.</p> <p>Benchmarking assumptions:</p> <p>Guaranteed minimum pensions ('GMP') equalisation</p> <p>Following a UK High Court judgement on 26 October 2018, gender equalisation of GMP is required to remediate the unequal benefits and retirement ages for men and women from 1990.</p> <ul style="list-style-type: none"> The UK Government consultation on GMP ended in December 2018 and extended the interim solution already in place for GMP equalisation from 2016 for the period 2018-2021. The Council's actuaries have included the full effect of the interim indexation solution in the calculation of scheme liabilities during 2019-20. This has led to a past service cost of £4.4m we concur with this liability being included.

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p>Retirement benefits (continued)</p> <p>See previous page</p>	<p>See previous page</p>	<p>Continued...</p> <p>Benchmarking assumptions continued</p> <p>McCloud judgement</p> <p>On 20 December 2018 the Court of Appeal ruled that transitional arrangements offered to some public sector pension scheme members amounted to unlawful discrimination. This related to new schemes set up in 2015 which typically meant older workers could stay in the existing, more generous schemes, while younger workers had to transfer to the new schemes.</p> <ul style="list-style-type: none"> — This ruling potentially gives rise to additional liabilities for local government pension schemes. — The Council's actuary has included in their report this liability and this has led to a past service charge of £28.6m being recognised during 2019-20. We challenged this value and the approach, and an error was identified. The Council's Actuary revised their report and this past service cost was revised to £11.9m — We concur with this revised approach. <p>The Council updated the draft statements for the revised actuary reports.</p> <p>Audit Difference (page 47)</p> <p>Assessing transparency:</p> <p>The disclosures in the annual accounts are in line with the Code's requirements, including relevant sensitivity analysis.</p>

Other area of audit focus	OUR RESPONSE	AUDIT CONCLUSION
<p>Capital expenditure</p> <p>The Council has a five year £1 billion capital plan which is focused around the city centre masterplan. This includes a budget of £300 million for 2019-20. Key projects in progress in 2019-20 include the energy from Waste Plant, completion of TECA and the refurbishment of the Art Gallery.</p> <p>Due to the significance of this capital investment programme and complexity of some of the projects, we consider it to be an area of audit focus. This is in respect of ensuring that the classification of costs between operating and capital expenditure is appropriate and in respect of capturing all relevant costs and contributions. However it is not seen as a significant risk as the transactions although material in value are recorded at cost and do not include material estimation techniques such as Valuation.</p>	<p>Our procedures included:</p> <p>Control design:</p> <ul style="list-style-type: none"> — Testing the design and operating effectiveness of controls over the accounting for Capital projects and monitoring the spend. — Testing the design and operating effectiveness of controls in respect of the review of costs allocated to capital and revenue projects. <p>Control re-performance:</p> <ul style="list-style-type: none"> — Comparing the total capital expenditure reported in the financial statements with that reported in reports to those charged with governance. <p>Tests of detail:</p> <ul style="list-style-type: none"> — Use of substantive sampling methods to evaluate the appropriateness of capital or revenue accounting classification by reference to supporting documentation. — Assessing a sample of items allocated to revenue expenditure to determine whether they are correctly classified. <p>We continued to consider TECA as previously summarised and in respect of Wider Scope responsibilities.</p>	<p>Control design and re-performance:</p> <p>The controls tested were found to be effective.</p> <p>Tests of Detail:</p> <p>No exceptions were identified in the tests of detail, with supporting documentation available for each item sampled.</p> <p><i>We have concluded that the treatment of capital expenditure is satisfactory.</i></p>

ISA 260 requires us to report to those charged with governance our views about significant qualitative aspects of the Council's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. We consider the accounting policies adopted by the Council to be appropriate. There are no significant accounting practices which depart from what is acceptable under IFRS or the CIPFA Code. We considered the level of prudence within key judgments in the 2019-20 financial statements and accounting estimates. We set out our view below:

Subjective areas	2018-19	2019-20	Commentary
Council tax bad debt provisions <i>£39.2 million</i>	3	3	Collection rates have remained stable year-on-year and there has been limited impact of Covid-19 to date. Recognising some moderate additional risk of non payment associated with Covid-19 the provision for recent (up to 365 days) debts has been increased from 44.5% to 51.5% (increasing the provision by approximately £0.6 million). We concur with the provisioning approach and we note that this is not a material area of judgement.
Pension assumptions Net liability: <i>£309.3 million</i>	3	2	For defined benefit obligations, the estimate is calculated under IAS 19 (as calculated by the Council's actuary, Mercers, using agreed financial assumptions). We found the assumptions and accounting for pensions to be appropriate. We consider that the discount rate used (2.4%) to be optimistic, the CPI inflation assumption (RPI less 1.2%) to be cautious, and mortality – future improvements (CMI 2018 projections model, 1.75%/ 1.5% long-term trend rate for males/females) to be cautious. Salary inflation assumptions are in line with Council expectations. We consider that the return on pension assets assumptions to be appropriate. Overall we consider pension assumptions to be balanced.
Council dwellings, other land and buildings, surplus assets, and investment property revaluations: <i>£2,617 million</i>	3	4	<p>Our findings over the valuation of Council dwellings, other land and buildings, surplus assets, and investment properties are discussed on page ten to twelve. We did not identify any indications of management bias.</p> <p>We challenged management to consider the impact of Covid-19 on valuations prepared as at November 2019 and assets not revalued in the year. No adjustments were required on the basis of limited market evidence. A material uncertainty clause has been included by the Council's valuer in respect of certain asset categories (excluding social housing, TECA assets and Marischal Square), we have required the Council to disclose this along with sensitivity analysis in the financial statements</p> <p>Significant audit misstatements were adjusted related to the categorisation basis of valuation of TECA assets completed in the year.</p>

Level of prudence



Going concern

Going concern means the ability of the Council to remain solvent for the twelve month period from the accounts being signed. Management considers it appropriate to continue to adopt the going concern assumption for the preparation of the annual accounts.

The Council had net assets of £1.21 billion (2018-19 £1.29 billion) as at the balance sheet date. Net assets decreased on 2018-19 by £0.73 million, reflecting the total comprehensive expenditure for the year.

During 2019-20, the Council set a net revenue expenditure budget of £526 million (being £452 million on the General Fund and £91 million on the Housing Revenue Account). The core outturn is a surplus of £1.3 million (being £0.8 million on the General Fund and £0.5 million on the Housing Revenue Account).

Over the past few years there has been managed reduction in the overall cost base and further efficiency savings are incorporated into budgets. In March 2020 the Council approved savings for 2020-21 of £37.9 million, across a wide range of the activities of the Council, in order to achieve a balanced budget. Delivery against the savings is being monitored on a regular basis and the Council has demonstrated the ability to deliver on savings targets in prior years.

In respect of the impact of Covid-19 the Council has reported to COSLA budget pressure of up to £32 million across the General fund, HRA and from potential financial exposure to Council ALEO's. This has been reported to the Urgent Business Committee in May 2020 along with a range of scenarios. It is well advanced in its consideration of the financial pressures and is progressing plans to address these with a further update presented to the June 2020 meeting of the Urgent Business Committee. In its paper, the Council notes a range of responses and mitigating actions including government intervention, mechanisms such as borrowing to fund revenue, grant funding, financial injections and controlling the revenue position (e.g. savings actions / stopping discretionary spend).

Further assessment of financial sustainability, which extends beyond going concern, is provided on page 31.

Practice Note 10 Audit of Financial Statements of Public Sector bodies explains that, *“The auditor should, in the first instance, review the management’s assessment of going concern and the adequacy of disclosures of the basis for preparing the financial statements. In the public sector, entities may have a deficit of income over expenditure or an excess of liabilities over assets. However, the operational existence of a public sector entity will not always cease, or its scale of operations be subject to a forced reduction, as a result of an inability to finance its operations or of net liabilities. The reasons for this are: local government entities are statutory bodies that are required to maintain delivery of functions essential to the local communities, are themselves revenue-raising bodies and have the possibility, on application, of recovering losses over a period.”* It furthers that cessation of an entity may arise e.g. if it is merged / functions are transferred but that only in the case of dissolution without continuation of the operations, would the going concern basis cease clearly to be appropriate.

Audit challenge and review activities included:

- Confirmed that COSLA return totals agree to amounts presented as Best Case in the Financial Resilience report to Urgent Business Committee May 2020.
- Attendance at and reviewed the minutes of the Urgent Business Committee May 2020 noting scrutiny and consideration by elected members.
- Discussion with finance officers to consider and challenge assumptions, in particular including ALEO support, mitigations (such as government funding), cash flow monitoring, borrowing and planned committee reporting.
- Consideration of controls in respect of management forecasts, budget monitoring and reporting.
- We challenged the income included in forecasts in respect of hotels, P&J Live and other major projects and understand these are predominantly reduced to non-operational levels in the 2020-21 forecast.
- We considered the impact of discussions between the Council and its ALEOs / group entities regarding Council support.
- Liaison with Audit Scotland regarding basis of preparation and audit opinions.

Conclusion

The Council has a strong net assets position and a significant value of available financial assets and uncommitted general reserves. It has put in place savings plans and prepared short, medium and long term financial forecasts. These are inherently dependant on a number of assumptions out with the Council's control although the Council is currently performing broadly in line with budget. Management has demonstrated strong leadership in taking action on overspends to ensure tight budgetary control.

It has acted early to assess the impact of Covid-19 and is proposing actions to return to a balanced budget with decisions being recommended to the UBC by the end of Q1. We have reviewed the Councils approach and undertaken challenge and assessment as set out on the previous page.

We have considered the requirements of the Code and Practice Note 10, together with the opinion of Audit Scotland in respect of local government bodies requirement to prepare financial statements on a going concern basis.

We required management to include additional disclosure in the Basis of preparation note to reflect the current Covid19 situation and impact on the going concern assertion.

In light of the above we are content that the going concern assumption is appropriate.

REPORT	SUMMARY OBSERVATIONS	AUDIT CONCLUSION
<p>Management commentary</p>	<p>The Local Authority Accounts (Scotland) Regulations 2014 require the inclusion of a management commentary within the annual accounts, similar to the Companies Act requirements for listed entity financial statements. The requirements are outlined in the Local Government finance circular 5/2015.</p> <p>We are required to read the management commentary and express an opinion as to whether it is consistent with the information provided in the annual accounts. We also review the contents of the management commentary against the guidance contained in the local government finance circular 5/2015.</p> <p>In Finance Circular 10-2020, Scottish Government varied the required content of the management commentary and clarified that local government bodies can vary their accounts timetable to revised (extended) deadlines. It provides specific expectations around inclusion of details of the impact of Covid-19 in the management commentary.</p>	<p>We are satisfied that the information contained within the management commentary is consistent with the annual accounts.</p> <p>We reviewed the contents of the management commentary against the guidance contained in the local government finance circular 5/2015 and, following some suggested enhancements are content with the proposed report.</p>
<p>Our view of Alternative Performance Measure (“APM”) presentation</p>	<p>As an EU Public Interest Entity (“EU-PIE”), we are required to provide a view on the APMs that the Council uses in its management commentary. APMs are those amounts presented which do not directly appear in the financial statements themselves.</p> <p>The local government finance circular 5/2015 provides clear guidance to councils on the type of information to be included within the management commentary. Furthermore, the CIPFA Code requires an expenditure and financing analysis is presented within the financial statements, providing a reconciliation from the Council’s internal management reporting to the statutory position.</p> <p>The key performance measure which users of the accounts consider is the achievement of over or under spends against budget. An appropriate reconciliation from the underspend against budget (including HRA) to the statutory position presented in the comprehensive income and expenditure account is provided in the management commentary. This reconciliation does not give undue prominence to an adjusted measure.</p>	<p>We consider the presentation of alternative performance measures in the management commentary to be appropriate in the context of the Council’s accounts.</p>

Management reporting in financial statements (continued)

REPORT	SUMMARY OBSERVATIONS	AUDIT CONCLUSION
<p>Remuneration report</p>	<p>The remuneration report was included within the unaudited annual accounts and supporting reports and working papers were provided.</p>	<p>We are satisfied that the information contained within the remuneration report is consistent with the underlying records and the annual accounts and all required disclosures have been made.</p> <p>Our independent auditor's report confirms that the part of the remuneration report subject to audit has been properly prepared.</p>
<p>Annual governance statement</p>	<p>The statement for 2019-20 outlines the corporate governance and risk management arrangements in operation in the financial year. It provides detail on the Council's governance framework, review of effectiveness, continuous improvement agenda and group entities and analyses the efficiency and effectiveness of these elements of the framework.</p> <p>We previously conducted a specific review of the content and structure of the statement and provided feedback to management in 2018-19 which was reflected. In 2019-20 we have specifically considered the updates included in respect of changes to governance arrangements regarding Covid-19 and risks and uncertainties.</p>	<p>We consider the governance framework and annual governance statement to be appropriate for the Council and that it is in accordance with guidance and reflects our understanding of the Council.</p>

Our audit appointment of the Council extends to the audit of the Aberdeen City Council Charitable Trusts and Aberdeen City Integration Joint Board. Appendix seven sets out the group structure. The table below sets out the key audit findings from these entities and any significant matters discussed with the component auditor. There are no findings to report in relation to other group entities. **Consolidation audit is outstanding at the time of drafting.**

ENTITY	WORK PERFORMED	AUDIT CONCLUSION
Charitable Trusts	We assessed materiality based on our knowledge and understanding of the charities' risk profile and annual accounts balances. Materiality was determined at 2.5% of total assets. We considered and confirm our independence as auditor and our quality procedures, together with the objectivity of the audit director and audit staff.	We expect to issue an unqualified audit opinion on the charitable trusts.
Common Good	Aberdeen City Council Common Good does not prepare separate financial statements, and is incorporated as disclosure notes within the Council's financial statements. Common Good holds investment properties as well as other assets.	The Common Good amounts are included within the Group financial statements, for which we issued an unqualified opinion.
Integration Joint Board ('IJB')	A separate annual audit report was presented to the Audit and Performance Systems committee of the Aberdeen City Integration Joint Board on 9 June 2020. No significant exceptions were identified during the audit.	We expect to issued an unqualified audit opinion for the IJB.

New accounting standards for 2019-20

The CIPFA code was revised for 2019-20 to take into account IFRS 16 Leases. This standard will bring a significant number of operating leases onto the balance sheet unless they are low value or have less than a year to run.

Due to the Covid19 lockdown it was confirmed by CIPFA/LASAAC to delay the adoption of IFRS 16 leases standard for another 12 months and is now expected to be adopted in 2020-21.

The Council had carried out work on the identification of these leases and were assessing the impact for the 2019-20 financial statements.

There are a small number of other updates to existing standards for clarity and disclosure requirements.

The Council have adopted all the relevant updates in the Financial Statements.

Future accounting and audit developments

The most significant change in the 2020-21 CIPFA Code is now in respect of the adoption of IFRS 16 *Leases* which was deferred.

This standard will bring a significant number of operating leases onto the balance sheet unless they are low value or have less than a year to run. CIPFA/LASAAC will revisit accounting for PFI liabilities which are currently under finance lease accounting rules of IAS 17, which is being replaced by the new standard. The Council has already done a significant amount of the preparation work for the adoption of the standard is well placed to make the required amendments to the Financial Statements.

Audit dimensions introduction

The Code sets out four audit dimensions which, alongside Best Value, set a common framework for all the audit work conducted for the Controller of Audit and for the Accounts Commission. The dimensions are: financial management; financial sustainability; governance and transparency; and value for money.

It remains the responsibility of the audited body to ensure that it makes proper arrangements across each of these audit dimensions. These arrangements should be appropriate to the nature of the audited body and the services and functions that it has been created to deliver. We review and come to a conclusion on these arrangements.

During our work on the audit dimensions we considered work carried out by internal audit and other scrutiny bodies to ensure our work meets the proportionate and integrated principles contained within the Code.

All appointed auditors are also required to consider areas of focus identified by Audit Scotland, we include our view on each area as within the relevant wider scope section.

Best Value

The Accounts Commission agreed the overall framework for a new approach to auditing best value in June 2016. Best Value is assessed over the five year audit appointment, as part of the annual audit work. There are seven areas considered over the five years. In addition a best value assurance report ("BVAR") for each council will be considered by the Accounts Commission at least once in the five year period. It is the intention of Audit Scotland and the Accounts Commission to extend audit appointments by one year which may have an impact on the timing the Council's Best Value review which was scheduled to be conducted in autumn/winter 2020 and report in Summer 2021. The Best Value audit work integrated into our audit in 2019-20 focused on one of the seven areas: Equal Opportunities. The findings of this work are reported on pages 38 to 41.

Strategic Audit Priorities

The Accounts Commission agreed five strategic audit priorities:

- the clarity of Council priorities and quality of long-term planning to achieve these;
- how effectively councils are evaluating and implementing options for significant changes in delivering services;
- how effectively councils are ensuring that members and officers have the right knowledge, skills and time to lead and manage delivery of council priorities;
- how effectively councils are involving citizens in decisions about services; and
- the quality of council public performance reporting to help citizens gauge improvements.

We consider the strategic audit priorities when performing the wider scope work over the five year appointment.

Our approach

We performed a range of procedures to inform our work:

- interviews with senior officers, including the Chief Executive;
- discussion with officers throughout the Council;
- review of various committee papers and reports;
- attending committee meetings; and
- consideration of Audit Scotland guidance to draw conclusions on good practice.

We use icons to highlight specific matters of note throughout this report.

Key:  Best practice  Area of ongoing development

Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

2019-20 financial performance

The Comprehensive Income and Expenditure Statement shows a deficit on the provision of services of £156.6 million for the year to 31 March 2020, of which £125 million relates to the General Fund. The deficit includes various accounting adjustments as required by the CIPFA code, such as in respect of actuarial movements and revaluation of property, plant and equipment. Excluding these adjustments and taking account of reserve movements, the Council reported a surplus of £1.3 million, being £0.2 million in respect of the General Fund, £0.5 million in respect of the Housing Revenue Account and £0.6 other usable reserves.

General Fund

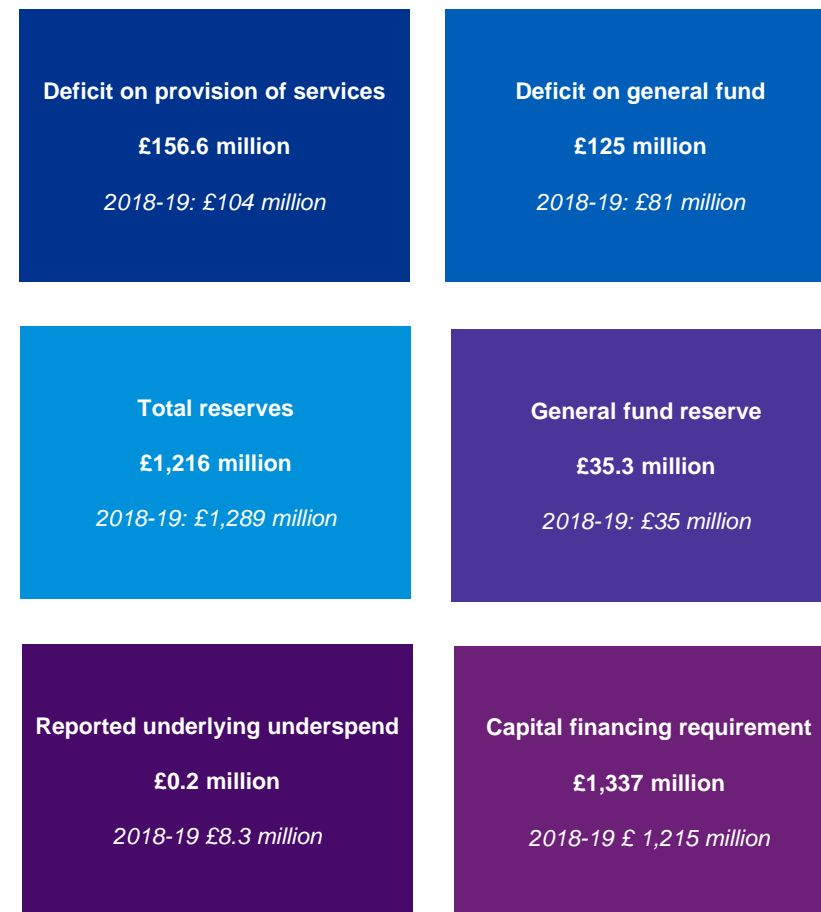
A balanced budget was approved at the start of the year, incorporating a final saving requirement of £41.2 million. The £0.2 million General Fund underspend represents around 0.05% of the net services expenditure, although it is the net result of overspends and underspends within the Council's functions as well as re-profiling of Loans Fund charges. The largest value variances were:

- Commissioning overspend (£2 million), shared services additional savings not achieved and management decisions to minimise budget adjustments with savings targets not distributed to service budgets.
- Miscellaneous Services saving (£3.6m), reflecting the savings due to the changes in the loans fund regulations and lower debt costs.
- Council costs overspend (£1.7 million), increase in bad debt provision due to estimation of the impact of Covid19.

The largest element of underspend is in relation to the Council's review of Loans Fund charges as permitted by the Local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016. The Council changed the profiling of Loans Fund charges for the repayment of its outstanding debt liability for debts issued before 1 April 2016. This gave rise to a £4.3 million gain relative to the budget.

The 2019-20 budget also included contingencies, in recognition of the uncertain nature of needs and pressures within any local authority, and these enabled the Council to deliver a broadly balanced outturn overall despite the impact of Covid19 closedown in March which impacted a short period before 31 March 2020.

Financial headlines



(Source: audited annual accounts)

2019-20 financial performance (continued)

Housing Revenue Account ('HRA')

The Council is required by legislation to maintain a separate HRA and to ensure that rents are set to cover the costs of its social housing provision. Rent levels are set in order to achieve a breakeven position based on forecast expenditure.

The £0.5 million underspend on the provision of services reported for 2019-20, reflects a £3.5 million surplus from Loans Fund charges profiling (see page 20) and a surplus from the extension of useful economic lives of housing assets allowing the HRA to reduce borrowing for capital, by meeting the cost of capital from current revenue.

Closing HRA reserves were £12.3 million for use in future years.

Financial reporting

Quarterly financial reporting is provided to the City Growth and Resources Committee ('CGRC'), comprising a full set of financial statements with management commentary and additional notes to explain the financial position. Further detailed analysis of the results are provided in appendices, including in respect of HRA, Common Good Fund and the Capital budget. This is good governance in view of the listed debt, and remains leading practice in a local authority context.

The forecast outturn for the 2019-20 £453 million general fund budget as per the quarterly financial reporting is set out below, with the full year forecast as reported at each quarter presented to show the changes in expectations over the year.

Forecast outturn (£000)	Q1	Q2	Q3	Q4
(Underspend) / overspend	B/E	B/E	B/E	(965)

Over the course of 2019-20 the reporting was that a balanced position was being projected. The small surplus was supported by the use of £1.6m of reserves to support the expenditure during the year. This included the impact of Covid19 in March 2020.

The delivery of a small surplus demonstrates the strong management of the Council's finances, noting that Loans Fund charge reprofiling supported the outturn.

Capital budget

There was a significant shortfall in capital expenditure relative to the £259 million budget, with £157 million invested in capital projects. The largest spend being in respect of TECA, where £81 million was incurred. The shortfall is in part due to re-profiling in respect of four proposed new primary schools, delays with the Union Terrace Gardens project and known delays in settling land claims for the AWPR.

During the year The Event Complex Aberdeen (TECA) opened in Summer 2019 alongside the two Hotels and Energy Centre.

In November 2019 the Aberdeen Art Gallery reopened following extensive refurbishment.

The joint Energy and Waste facility began construction in August 2019 and is ongoing into 2020/21. In addition preliminary works have taken place on the four proposed new primary schools

Scrutiny and monitoring of the overall capital plan delivery is the responsibility of the Capital Programme Committee.

2021-22 budget proposals

The Council sets five budgets on an annual basis: General Fund; HRA; Capital; Common Good; and Pension Fund. Throughout July to November there is an iterative process of budget development, of transformation proposals and reporting through Corporate Management Team ("CMT") and Extended CMT ("ECMT"), concluding in November.

Officer proposals are submitted during that iterative process, for costing or consideration. Alternative proposals are then submitted by members or political groups, for consideration in advance of the meeting.

On 3 March 2020 the Council approved a detailed balanced revenue budget for 2020-21 and a five year high-level budget to 2024-25. The Council also approved a five year capital budget of £424 million, in addition to a housing investment program over the same period of £282 million.

We consider that the budgeting process is robust, and is supported by regular monitoring as noted opposite. The impact of Covid-19 is considered overleaf.

Page 27



2021-22 budget proposals

Covid19

On March 23 2020 the UK Government put the Country in lockdown to fight the emerging Covid-19 Pandemic. The impact of this has led to a “shutdown” of virtually all economic activity within the UK and large scale government financial intervention during these unprecedented times to provide financial support to private sector businesses through a host of measures, some of which local government have been asked to administer.

On 6 May 2020 an report to the Urgent Business Committee (“UBC”) was provided which was the Council’s latest estimation of the financial impact that the lockdown was having and the various scenarios should the lockdown continue for prolonged period of time.

The position that the Council reported on 6 May 2020 was that the best case position, assuming no intervention or government support, as submitted to COSLA. It is outlined in the table below:

Estimated impact of	General Fund £000’s	HRA £000’s	External £000’s	Total £000’s
Mobilisation	5,629	5,714	0	11,343
Lost Income	30,152	0	8,000	38,152
Cost Reduction	(8,375)	(4,500)	(4,000)	(16,875)
Net Impact	27,406	1,214	4,000	32,620

Source: 6 May 2020 report to UBC

Note: The above values do not include the support announced by the Scottish Government for the Covid19 response.

Using the above values as the base for the estimates the Council then stretched these to understand a number of scenarios shown as best case, mid case, and worse case.

Estimated impact of	General Fund £m’s	HRA £m’s	External £m’s	Total £m’s
Best Case	27-28	1-2	3-5	31-35
Mid Case	52-55	2-3	8-10	62-68
Worse Case	80-90	4-5	14-18	98-113

Source: 6 May.2020 report to UBC

The Council continues to assess the financial impact of Covid19 in the short and medium term.

The statutory position remains for the Council to deliver a balanced budget. Even with government support, corrective action needs to be taken to continue to deliver this position and ensure financial sustainability.

Options are intended to be presented to elected members outlining actions that can be taken to ensure the Council maintains its balanced financial position for the year. At the time of drafting only services deemed “critical” are operating while other areas continue some level of operation through home working. In certain areas, service provision has been temporarily suspended (for example, school closures, libraries, etc.).

The overall conclusion on the 2020-21 and medium term is that the Council had set a balanced budget with a savings target that historically the Council has achieved. Since the Covid-19 lockdown these financial plans and operational activities are subject to risk and uncertainty.

We consider that the Council has, in line with its sound financial management practices, started to understand the impact and this will continue throughout the year however it remains a significant risk in respect of financial management. It is important that the Council’s UBC, or other committees have sufficient, appropriate financial expertise and operational understanding in order to critically assess and challenge financial resilience reports and plans.

A further update is being provided to UBC on 30 June 2020.



Accounts and audit process

2019-20 was the third year of the accelerated accounts timetable, with draft annual accounts issued to the UBC on 6 May 2020, and the audit commenced on the same day. In order to facilitate approval of the annual accounts by the end of June 2020, the subsidiary and associate entities also delivered to an accelerated timetable. The statutory deadline for signed annual accounts was 30 September 2020 however due to Covid-19 the statutory deadline for signed annual accounts has been extended to 30 November 2020.

The UBC meeting at which the unaudited annual accounts were considered was on 6 May 2020, compared to 30 April 2019 for the 2018-19 annual accounts. However with the impact of Covid19 lockdown to achieve this timetable is an outstanding effort by the Finance team. The draft presented to the UBC committee on 6 May 2020 was substantially complete, with some minor notes required amendment after the UBC May meeting.

The Council and audit team have continued to work to deliver the work to the original deadlines however it is recognised by audit and financial regulators, including Audit Scotland, that additional time may be required and should be taken by entities and auditors in order to ensure the quality of financial statements and audit. This relates to both the challenge of auditing and working remotely and additional audit considerations which may be required in respect of the potential impact of Covid-19.

The audit of the Council group is significantly progressed and in a number of areas, further advanced at this stage than in previous years which is exemplary in the current environment. We continue to recommend that management give greater consideration to complex accounting transactions, particularly associated with estimates and judgements, in advance of the audit and preparation of unaudited financial statements.

High quality working papers were provided at the start of the audit fieldwork and management responded effectively to our queries.

Three significant issues were identified during the year:

- Impact of Covid-19 and correctly accounting for McCloud judgement as part of the net Defined Benefit Pension Liabilities;
- Categorisation and basis of valuation of completed elements of the TECA project;
- Impact of Covid-19 on financial management and sustainability.

We have also identified that for two capital projects the accrual of works completed to the year end was not complete, and payments made in April for works done in March was not accrued at year end

2019-20 Recommendation 2 (page 49)

Categorisation and basis of valuation of completed elements of the TECA project

We have summarised our conclusions on pages nine and ten. Management should continue to consider its ability to obtain a reliable market value of the Energy Centre (investment property) and P&J Live (operational land and buildings) as they become fully operational. This will be required in respect of the Energy Centre in 2020-21.

There was no documented consideration of the categorisation of assets in advance of preparation of the unaudited financial statements. An iterative process occurred during the audit which required numerous discussions with senior officers to appropriately consider accounting standards and the underlying business rationale and case surrounding the development.

Proposed audit adjustments are not confirmed at the time of drafting however management have proposed a split of AUC in line with the latest valuation report.

Impact of Covid19 on the net Defined Benefit Liabilities


The pension scheme actuaries prepared disclosures based on estimated assumptions for the unaudited annual accounts. However due to the impact of Covid19 on the value of the Pension Assets at 31.3.2020 (material fall in value) the original assumptions and estimates were updated during the audit to reflect March market data. During the audit of the revised numbers a material error was identified in the calculation of the impact of the McCloud ruling on the defined benefit obligation, this required a further update by the Actuary.

Adjusted Audit Difference (see page 47)

We are comfortable with the revised Net Defined Benefit Liabilities and disclosure notes.



Accounts and audit process

 A key improvement opportunity relates to the robustness of management consideration of complex accounting transactions, specifically related to accounting judgements and estimates.

In 2019-20 material audit misstatements were identified in the categorisation and valuation the completed components of the TECA project. In 2018-19 this related to the initial recognition of Lochside Academy, and in 2017-18 the treatment of Marischal Square investment properties.

2016-17 Recommendation one (page 57)

These non routine transactions apart, we consider that the Council performed exceptionally well to achieve the June 2020 audit annual accounts timetable. There is a continued high level of oversight and review which we have reflected as increased in 2019-20.

We set out opposite our qualitative assessment of the readiness for the audit.

Bond accounting

We reviewed the impact of adjustments on the accrual of interest calculated as at 31 March 2020 and carrying amount of the Bond this identified a carrying value error of £3.6m at 31 March 2020

Unadjusted audit difference (see page 49)

Readiness overview	2018-19	2019-20
Preparation and planning	H	H
Production of accounts	H	H
Oversight and review	M	H
Significant judgements	M	L
Supporting information	H	H

*KPMG qualitative assessment:
H/M/L – High/medium/low level of preparation, accuracy and detail*

Internal control

We consider that the Council has a generally robust control environment. We tested the operating effective controls within certain financial processes, where reliance upon them enabled an efficient testing approach. No exceptions were identified from the testing and the controls tested were:

- Budget monitoring.
- Bank reconciliations.
- Procurement: contract awards.
- Capitalisation of expenditure.
- Loans ledger reconciliation.
- HRA stock reconciliation.
- Council tax assessor report reconciliation
- Council tax banding rate reconciliation.

We noted in the prior year audit that although the Council demonstrates a good level of control through general IT controls, we were unable to place reliance on these controls in the audit. The primary reason for this was a lack of system logging and monitoring in place for IT privileged users. We did not plan to rely on these controls for the 2019-20 audit, given the work ongoing to implement the prior year recommendations.

Prior year recommendations continue to be implemented. In addition new recommendations have been raised. The current status and action plan is shown on page 51 onwards.

Status	Grade one	Grade two	Grade three
Implemented	-	2	3
In-progress/overdue	2	2	
	2	4	3

EU withdrawal

The Bill covering the UK's withdrawal from the European Union was passed in January 2020, effective 31 January 2020. There is now a transition period in place until 31 December 2020 which requires ongoing consideration of the impact on the Council.

EU Exit remains on the Council's corporate risk register. This is reviewed monthly by the Council's ECMT and CMT. Arrangements to closely monitor the risk of EU Exit to the Council are likely to re-escalate. The arrangements put in place will reflect learning from the Council's response to Covid-19. The Council's preparations for EU Exit will align to and complement the Grampian Local Resilience Partnership's preparations for EU Exit.

Audit Scotland Matter of Focus: Fraud and Corruption in Procurement

The Council has put in place a number of policies and arrangements to create an anti fraud and corruption culture. These include:

- Comprehensive anti fraud policies;
- The scheme of Governance, incorporating the Financial Regulations;
- Code of Conduct for officers and members
- Money Laundering policy; and
- Anti Bribery and Corruption policy

To supplement the policies and arrangements the Council also carry out proactive activities to supplement the understanding and effectiveness of the policies these include:

- Anti fraud and procurement training;
- Register of interests, gifts and hospitality;
- Comprehensive risk management processes including specific risk registers for all significant procurement projects;
- Confidential reporting arrangements eg whistleblower, for both staff and members of the public;
- Range of proactive fraud investigation procedures, including Corporate investigations assurance handbook; and
- Annual reporting of fraud prevention activity.

The Council have included within the Covid19 response plan a section on fraud and corruption to highlight the increased risk during the pandemic

ACC website and People Anytime contains information on Fraud – in addition there are other links that point people to the online reporting tool - fraud referrals can be made online by staff and customers

Audit Scotland Matter of Focus: Fraud and Corruption in Procurement (cont)

The Council have identified areas in which it can improve in relation to Fraud and Corruption in procurement as part of their continuous improvement culture, these include:

- Oil fraud prevent course updated on the Moodle platform;
- Ensuring that all procurement category managers are fully up to date with current fraud training;
- Increase the interaction between the anti fraud and corruption officers and the procurement managers to share experience and best practice;
- Ensure that the Annual Governance statement fully reflects the Anti fraud and corruption activity in procurement.

Our view – financial management

We consider that the approach to financial management, including budget setting and monitoring is appropriate with clear supporting governance arrangements. The Council demonstrates advanced practice, in a local authority context, through quarterly financial reporting. The controls tested for the purposes of forming an opinion on the annual accounts were found to be effective.

The Council has adequate arrangements in place, designed to reduce fraud and corruption in procurement. The identified areas to improve will further improve these arrangements.

Robust financial management, scrutiny and challenge is increasingly important in the context of Covid-19 and the Council has begun to demonstrate strong financial management arrangement for 2020-21.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Audit Scotland’s *Local Government in Scotland: Financial Overview 2017-18* report highlighted that councils face an increasingly complex range of challenges and continuing pressure on finances. Funding gaps across councils in 2018-19 totalled £0.3 billion, with Scottish Government revenue funding increasing by only 0.2% in real terms and demand growing. Funding gaps are expected to increase over subsequent years and most councils have a transformation programme underway.

The Council’s Target Operating Model (“TOM”) was designed in recognition of the need for financial restraint, as well as the growing demand pressures and changing customer expectations.

Target Operating Model

The TOM was approved by the Council on 23 August 2017 and represented a significant redesign in the operating model of the Council. It puts delivery of the outcomes within the Local Outcome Improvement Plan (‘LOIP’) at its core.

Following the introduction of a governance structure to support delivery of the 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.

Implementation of the effective redesign of services and a move to a commissioning-led approach, including the digital strategy, is key in the delivery of the required savings needed to maintain financial sustainability over the short to medium term. The challenge of continuing to deliver this ambition is increased in the context of Covid-19.

Annual budget presentation

The annual budget was approved by Council on 3 March 2020. The budget report set out the general fund revenue and capital budgets for 2020-21, together with the general fund revenue budget for 2021-22 to 2022-25. The revenue budget showed the need to make savings in 2020-21 of £37.9 million. The savings were identified within the report, being a combination of income raising, cost saving and redesign.

General Fund revenue budget and benefits realisation

The prior year (March 2019) General Fund revenue budget identified the need to deliver savings of £41.2 million in 2019-20 and the medium term outlook (2019-20 to 2022-23) demonstrated the ongoing need to deliver recurring savings across the Council. By 2022-23 the value of recurring savings required was forecast as £100.9 million. The Council reports a 2018-19 general fund surplus of £0.5 million, having delivered on the saving requirements.

When preparing the March 2020 budget report, the Council were doing this with uncertainty in respect of the fact that the Scottish Government budgets were not agreed due to the December UK Elections and the delay this has caused. So for 2020/21 a one year settlement was provided on 6 February 2020, which indicated increased funding but also increased commitments and has been assessed as a 1% real time reduction on core funding. Together with the 2020-21 savings need of £37.9 million, the medium term financial outlook described in the report was consistent with previous years, that a significant level of recurring savings will continue to be needed. The total value required to 2024-25 is forecast as £171.6 million. If no action were taken by the Council then useable reserves of £548 million would be required to support current services, which is neither sustainable nor available.

Deficits are forecast for each of the next five years, before further savings plans:

General Fund revenue budget	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000
Net service expenditure	489,692	527,207	560,481	5586,420	611,456
Funding	(451,794)	(447,190)	(445,262)	(442,562)	(439,836)
Deficit	37,898	80,017	115,219	143,858	171,619

(Source: 3 March 2020 – Council report)

At the time of the budget setting report there was an agreed pay settlement for 2020-21 of 3% included within the forecasts.

Savings plans to deliver the 2019-20 balanced budget.

It is a statutory requirement to set an annual balanced budget. To achieve this a detailed savings plan was approved which identified £37.9 million of forecast savings. This included recurring items to be delivered through service redesign and a reduction in in-year spending (£29.2 million), increase in Core Funding from Scottish Government (£3.3 million informed 27.2.2020) increases in fees and charges (£0.4 million), a 4% increase in Council Tax (£4.9 million).

The Council is transparent about the level of savings required in 2020-21 and over the medium term. Savings are required from transformation of the workforce and effective use of digital technology underpinned by services redesign. A Transformation Fund of £3.4 million is held as at 31 March 2020, to be utilised to make recurring savings through delivery of the Being Digital Strategy.

Progress against the delivery of the savings plan will be reported at the end of quarter one and work to assess and forecast the delivery of change, savings and / or income is in progress to meet the reporting deadlines set by the Council. We note that the Council has identified the individual elements of the £37.9 million and does not have a significant unidentified savings target.

Use of reserves

The Council continued to invest its reserves in the future of the organisation during 2019-20, including £2.2 million in respect of empty homes, and £1.4m support for external bodies.

As at 31 March 2020 the Council had uncommitted general fund reserves of £12.0 million which equates to 2.2% of Net Cost of Services of £542 million (1.9% as at 31 March 2019). These reserves are to support the delivery of services in the case of unexpected issues, and a reserves strategy is in place.

We consider that this level of reserves is reasonable for a Council of the size of Aberdeen City Council, however the risk for the Council is the non-delivery of savings which would impact on these reserves, particularly associated with the additional impact of Covid-19.

General Fund Reserves	31 March 2019 £000	Increase / (utilisation) £000	31 March 2020 £000
Transformation Fund	7,003	(3,548)	3,455
Second/Long Term Empty Homes	10,464	2,272	12,736
Other Earmarked Reserves	7,249	(50)	7,199
Uncommitted General Fund Reserve	10,338	1,662	12,000
Total General Fund Reserves	35,054	336	35,390

Covid19

Subsequent to setting the 2020-21 budget and medium term framework the UK entered lockdown associated with Covid-19 and the Council has begun assessment of the impact on the 2020-21 forecast.

The potential impact as assessed by the Council to date is summarised on page 26 . The Council has begun to understand the impact on the medium term financial planning.

Covid19

Subsequent to setting the 2020-21 budget and medium term framework the UK entered lockdown associated with Covid-19 and the Council has begun assessment of the impact on the 2020-21 forecast.

The potential impact as assessed by the Council to date is summarised on page 26. Audit challenge and consideration of revised financial plans is summarised on page 17.

The Council has detailed a critical path to CMT on 23 April 2020, which sets out the process planned to consider actions for 21/22 and 22/23 in respect of required service redesign following the impact of Covid-19. It includes a number of tools, templates and information sources for those responsible to use. A detailed timeline and lead officers have been identified.

The Council has significant long term borrowing associated with major capital projects, a number of which are on a commercial basis involving rent, events and hotel income. Management has assumed limited or substantially reduced income from these ventures in revised 2020-21 forecasts but they will require continued monitoring, specifically income generation compared to original business plans and the impact of any renegotiation of terms with development / operating partners.

We consider that the legal agreements and basis of arrangements with such commercial parties reviewed as part of the audit generally have suitable clauses which aim to minimise the financial risk to the Council which is good practice. They also often incentivise partners to seek to perform well and increase the return earned by the Council. However, in the current environment there is a risk that clauses related to force majeure / unforeseen events seek to be invoked by third parties which could expose the Council to increased financial or reputational risk.

An assessment of these commercial arrangements, the impact of Covid-19 and summary of potential risk and discussions with third parties should be prepared and considered by an appropriate committee.

2019-20 Recommendation two (page 50)

Cash and Short Term Investments (Liquidity)

Liquidity	31 March 2019 £000	31 March 2020 £000	Movement £000
Cash and cash equivalents	70,520	101,542	31,022
Short term investments	45,213	50,454	5,241
Short term borrowing	(197,228)	(213,138)	(15,910)
Current liquidity	(81,495)	(61,142)	20,353

The Treasury Management Strategy states that investment priorities are security of capital and the liquidity of investments. Liquidity is a key measure of the Council's ability to meet its liabilities as they fall due. The Council's current asset/liability ratio is now 0.73:1. (0.70:1 in 2018-19), similar to the level before the bond was issued for capital investment in the City.

Borrowing

Total borrowing as at 31 March 2020 was £141.7 million greater than as at 31 March 2019, with overall borrowing being £1,235 million. The increase in borrowing is primarily funding investment in capital and transformation as noted previously. Investment in Capital in the City was £206 million in 2019-20.

In respect of the £61.1 million negative liquidity as at 31 March 2020 (£81.5m 31.March 2019), we note that the Council has cashflow forecasts that show an increase in the long term borrowing over the year which will bring the current liquidity to a positive position.

As the borrowing increases, the pressures on the revenue budget for capital financing costs increases, being 7.7% of income by 2023 (5.3% in 2019-20). The Council has identified that this level is not sustainable and increasing borrowing beyond the planning horizon would impact on services. The general fund revenue budget forecasts over the medium term show that borrowing is expected to peak in 2022-23 and fall in the period 2023-25

The Council monitors its financial position on a routine basis and is borrowing in line with its financial plans. We note that the Council's credit rating was rated by Moody's as Aa3 with a negative outlook in December 2019, with recognition of the Council's strong financial management detailed within Moody's assessment. The negative outlook is in line with the negative outlook on the UK Sovereign. The report also highlights challenges around the ambitious savings plans and key project risks associated with the development of the TECA complex. We have reflected associated points on the previous page.

Prudential Code

The key objectives of the Prudential Code are to ensure that the Council's capital programme is affordable, prudent and sustainable, and that treasury management decisions are taken in line with good professional practice. Annually the Council has to set out its prudential indicators to provide a framework to work within to ensure that Council does not breach its prudential indicators as borrowing increases to fund capital investment.

The table opposite sets out the forecast prudential indicator.

Prudential indicators	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
Capital Financing Requirement	1,338	1,484	1,621	1,643	1,639	1,630
Operational Boundary for External Debt	1,698	1,815	1,966	1,990	1,985	1,976
Gross Borrowing	1,169	1,322	1,432	1,574	1,601	1,603
Gap	529	493	534	416	384	373

Our view – financial sustainability

A clear assessment of the 2020-21 savings needs has been identified and reported to Council. Covid-19 has introduced additional savings requirements for 2020-21 to enable a balanced budget to be achieved which management are assessing.

There remains a residual risk that in the medium to long term, transformation does not deliver the benefits and savings expected, or does not deliver them at the pace required to deliver a balanced budget without impacting services. This is further risk and uncertainty of the longer term impact of the economic fallout of the Covid-19 lockdown and impact on cash flow. Management have begun to consider these but not yet reported to committee or subject to scrutiny.

We consider that the Council is financial sustainable in the short term, with well monitored plans to ensure longer time financial balance and has begun appropriate consideration of Covid-19, which remains a risk.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making, and transparent reporting of financial performance.

Governance prior to Covid-19

The Council continues to enhance and refine its governance arrangements, including significant revision from March 2020 as a result of Covid-19.

In February 2020 CIPFA carried out an Advance review of Governance and in the report concluded that the Council be nominated for the Governance Mark of Excellence, having being assessed as fully meeting all the criteria for all seven of the criteria. This award was subsequently awarded to the Council.

In 2017-18 the Council made substantial changes to its governance arrangements following a wide ranging governance review. The changes support the delivery of the four phases of the transformation and the key achievements noted in the prior year Annual Audit Report were the approval of: a Scheme of Governance; a Bond Governance Protocol; a Risk Management Framework; and an ALEO Assurance Framework. It has continued to regularly self assess governance arrangements and revise these where improvement opportunities are identified. It takes on board feedback from scrutiny bodies, elected members and officers to inform revisions which is good practice.

The ALEO Assurance 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 which were modified in respect of information sharing to support assurance. ALEOs also presented an annual report to the Strategic Commissioning Committee in respect of their contribution to the Council and the city's outcomes.

The Scheme of Governance that brings together the Council's constitutional documents is reviewed annually and following the introduction of a governance structure to support delivery of the TOM, the Council approved a final organisational structure in March 2020.

Covid19 and Governance

In March 2020, the UK went into 'lockdown'. The Council put in place an emergency response structure in order to manage the effects of 'lockdown' and the Covid-19 Pandemic.

Committee Structures

The Council's formal response structures were established on 16 March 2020. The structures reflected the Generic Emergency Plan which was approved by Council in 2019.

Group leaders were informed of the response structures informally and at a meeting of the Urgent Business Committee (UBC) which took place on 20 March 2020. The Committee agreed a number of decisions to facilitate decision-making in light of the Covid-19 pandemic and UK and Scottish Government advice for people to restrict social contact. The changes included:-

- with exceptions, cancelling Full Council, Committee and Sub-Committee meetings between 23 March 2020 and 21 August 2020;
- revising the membership of the Urgent Business Committee to five members;
- permitting participation in Council meetings from 'remote' locations; and
- updating the powers delegated to officers.

Control Environment:

A covid19 control environment risk assessment and gap analysis and Covid19 specific risk registers were created to help manage and minimise specific Covid19 risks in the short term.



Lessons learnt:

The corporate management team commissioned a review of the current arrangements on 21 May 2020 to understand lessons learnt. This review was split:

- Stage 1 (rescue)
- Stage 2 (transition)
- Stage 3 (long term recovery)

Stage 1 is seen to be coming to an end and ACC is moving into the transition stage. The chief officer – governance carried out a review of the arrangements and identified areas for improvement, demonstrating the maturity of the arrangements.

This review and findings has been reported to CMT and will report to the Urgent Business Committee for review and decisions as deemed necessary to further improve the arrangements.

Overall the Council have implemented their emergency arrangements and have continued to function and deliver services using these emergency arrangements, they have reviewed these in a reasonable timescale to understand improvement lessons, and are now ready to discuss implementing these. This shows mature Governance arrangements to allow for such changes not to impact on delivery, yet ensuring a level of governance to be maintained, and then improved where possible

Scrutiny

There is a high degree of scrutiny and challenge exercised by officers and members. This scrutiny is facilitated through the revisions to the committee structure and terms of reference which are regularly reviewed.

Standards of conduct for prevention and detection

The Council has a range of procedures for preventing and detecting fraud and irregularity including: a whistleblowing policy; fraud, bribery and bribery policy; and codes of conduct for members and officers. We assessed these to confirm that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

We consider that the Council has appropriate arrangements for the prevention and detection of bribery and corruption.

Annual Governance Statement

The Annual Governance Statement within the Council's annual accounts sets out the Council's conclusion on the effectiveness of governance and the basis for that conclusion. It describes the sources of assurance to support the Council's compliance with the seven principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. The Annual Governance Statement includes areas where there is future development in governance and where governance issues have been identified. It concludes that the Council's Code of Governance operates effectively.

We previously reviewed the structure of the governance statement and management reflected recommended enhancements. In 2019-20 we recognise that it includes appropriate description of the impact of Covid-19 on governance arrangements.

We consider that the Annual Governance Statement shows an appropriate and accurate reflection of the Governance arrangements at the Council.

National Fraud Initiative (NFI)

The NFI in Scotland brings together data from local government, health boards and other public sector bodies. Matching data obtained from the systems of participating bodies allows the identification of potentially fraudulent claims on the public purse including housing benefit fraud, occupational pension fraud and payroll fraud.

The Council submitted received matches for investigation during February 2020, to identify potential frauds or errors, with a deadline of 31 March 2020.

We completed a questionnaire considering the Council's participation in NFI for submission by 28 February 2020, with a generally positive conclusion.

Risk management

The Corporate Risk Register is reviewed by the CMT on a monthly basis, with Cluster Risk Registers maintained to manage operational risks. The Council has commenced an assurance mapping programme, to identify control gaps or control duplication.

Specific Covid-19 risk assessment and monitoring has been established.



Local Area Network ('LAN')

A Local Scrutiny Plan ('LSP') was presented to the 29 June 2019 ARSC and included no additional scrutiny by external audit in 2019-20. The LSP is based on a shared risk assessment undertaken by the LAN, comprising representatives from scrutiny bodies which engage with the Council.

KPMG chaired a meeting of the LAN on 20 February 2020, attended by Audit Scotland, Care Inspectorate and Education Scotland which supported risk assessment and information sharing. It did not give rise to any amendment to the audit strategy.

Internal audit

We considered the activities of internal audit against the requirements of Public Sector Internal Audit Standards ("PSIAS"), focusing our review on the public sector requirements of the attribute and performance standards contained within PSIAS.

Every local authority internal audit function must be externally assessed against the PSIAS once every five years. In 2017 we reviewed the internal audit function, covering the PSIAS requirements as well as comparisons to best practice for an entity with debt listed on the London Stock Exchange. Where recommendations for improvement were identified and agreed, Internal Audit brought proposed changes for approval by ARSC members.

During the year a re-profile of the work plan was carried out to align to the current risks the Council were facing.

We reviewed internal audit reports and conclusions, and consider that they do not indicate additional risks and there was no impact on our audit approach. Internal audit's annual opinion confirmed, "that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control in the year to 31 March 2020."

Open internal audit recommendations are monitored by officers and the remediation actions reviewed by Internal Audit prior to closure. The outstanding actions which were overdue was 39 as at 31 March 2020 this is an increase during 2020 compared to 14 as at 31 March 2019 and comparable to 45 as at 31 March 2018.

Transparency

Transparency continues to be an important aspect of good governance and is expected by stakeholders. The Council makes committee meeting agendas and minutes available online and reports are publicly available in advance of meetings. Full Council meetings are also webcast.

Having attended various committee meetings, we observed appropriate scrutiny, challenge and consideration of whether matters should be conducted as public items.

The Council's committees prepare and note annual committee effectiveness reports. Each committee's report sets out: delivery against the committee's terms of reference; officer and member attendance; a graphical summary of how committee reports align to LOIP categories; a summary of the number of committee decisions including those considered as exempt/confidential; civic engagement; and a section with a forward look to the next year's focus.

Further development of these reports is planned for 2020-21.

The Council also demonstrates transparency by:

- participating in the Local Government Benchmarking Framework ("LGBF") and providing access via its website;
- publishing Statutory Performance Indicators ('SPIs'); and
- reporting regularly on delivery against the LOIP.

We consider that the Council conducts its business in an appropriately transparent manner.

Our view – governance and transparency

The Council has continued to enhance its governance framework and has been awarded the CIPFA Governance Mark of Excellence. It exhibits strong and effective governance and has engaged with stakeholders to conduct self assessment and identify improvement opportunities.

Revisions have been made to governance in respect of operating during Covid-19, these are being subject to scrutiny and challenge by members, reported transparently and reassessed by officers.

Significant progress made in considering the impact and setting out the critical path of actions to be taken in respect of the impact on 2021-2023

Members robustly challenge and scrutinise management with a clear focus on the communities and citizens they represent, in respect of governance, process and matters presented for decision.

We consider that the Council operates in an appropriately transparent manner.



Best Value and Value for Money

Value for money is concerned with using resources effectively and continually improving services

To consider how effectively the Council demonstrates Best Value in its delivery of services we consider the audit findings across the four audit dimensions. This section includes our conclusions relating to the audit dimension of Value for Money which contribute the delivery of Best Value.

Best Value is assessed over the five-year audit appointment as part of our annual audit work. A Best Value Assurance Report ('BVAR') for each council will be considered by the Accounts Commission at least once in this five year period. The BVAR report for Aberdeen City is planned for the last year of the five year programme (2020-21). The deadline for completion may be extended due to Covid-19 and the proposed extension of external audit appointments by one year.

In 2019-20 our Best Value audit work focussed on the Council's arrangements for demonstrating Best Value in respect of Equal Opportunities

Best Value focus area: Equal Opportunities

How well does the organisation know the profile and needs of its diverse communities?

The Council has commissioned significant amount of work to understand the profile and needs of the diverse communities including:

- The Council has developed a British Sign Language (BSL) plan in conjunction with Aberdeen City Health and Social Care Partnership, to raise awareness, increase knowledge and understanding of Deaf culture, language and service provision throughout the Council, working with BSL stakeholder across the city to develop resources and information and to ensure that they are appropriate and relevant for their needs.
- The Council has produced an Equality Outcomes Mainstreaming Report which identified areas where work was done between 2017 and 2019 and also highlighted where work still needed to be developed. This report highlights the Community led initiatives including the wide range of Area/Forum/Networks that are being used to understand the needs of the diverse communities.

- Using available data and engaging with the diverse communities to fully understand the issues to develop a base position to develop the Equality outcomes for 2021 report.
- Data is collected through attendance in different community groups and forums
- Carry out family assessments for diverse communities (eg The Syrian New Scots group).
- Collect data on hate crimes and monitor the data as a consequence of change (eg Brexit).

An event was held in December 2018 to celebrate the city's progress in meeting its nine Equalities outcomes – and the launch of the local British Sign Language Plan

Do the organisation and its partners lead improvements in equality effectively?

The Council is a key stakeholder in the “integrate Grampian – Vision and Action Plan”. The Integrate Grampian partnership has a vision for the region as an area that is welcoming to those who choose it as a place to live, work, study, bring up a family or start a business.

The Council set equal opportunities Performance indicators EO1: We have engaged and committed leaders [extended CMT and councillors], with the council and partners working together to reduce inequality, remove barriers and promote a culture of respect – this is tracked from an agreed baseline in 2017 with progress to current. Including further actions to further develop this area.

Other KPI's include:

- Learning provision in place to meet the needs of Gypsy / Traveller families;
- In Aberdeen there is a culture in which women's lives, opportunities and confidence are improved
- Aberdeen is a city of sanctuary with positive relations amongst Aberdeen's diverse communities, where everyone is welcome and respected, regardless of religion, belief or background; and
- Aberdeen is an LGBT+ friendly city and where LGBT+ communities can confidently express their identify and views.



Best Value focus area: Equal Opportunities

The Equality and Human Rights Commission (EHRC) have carried out local training sessions with partners in the City Region Deal, with a focus on achieving inclusive growth from Equality outcomes to Procurement, with Equalities to be explicit with any proposed projects in the City Regional deals. (including – flexible working, maternity / paternity leave and pay, prayer facilities, equal pay job evaluation, career progression for under-represented groups, appraisals, workforce diversity monitoring, procedures to deal with bullying.

At budget setting meetings over this period all budget options have benefitted from an Equalities Impact Assessment, so that the impact of budget decisions on communities is fully understood, therefore the Council effectively build equality into the decision making and scrutiny arrangements, this also includes consultations with the Unions, Priority groups, The Equality Ambassador Network (EAN).

The Council reports to the public on equality using the Equalities Outcomes Mainstreaming progress reports; these are provided in different formats including:

- Equalities newsletters;
- Website / videos;
- InterTrans service information;
- Different language, and
- Alternative formats.

Does the organisation provide equality of opportunity within a diverse workforce?

During 2017-19 ACC have gone through a significant period of change with the introduction of the TOM they have ensured that the equalities agenda remains a vital consideration across all services in the Council. This was done by engaging directly with the services who have been developing and updating strategies and policies, to ensure that equality issues have been given proper consideration.

The Council has set up the EAN up to:

- act as contacts on equality and diversity issues by signposting and sharing relevant equalities information with colleagues;
- To work towards creating and supporting a culture in which staff can participate and fulfil their potential in an environment where they are valued and respected.
- To make suggestions on equality and diversity policy and practice and promote good practice; and
- To help increase awareness of, become involved in and organise equality and diversity events and activities.

Some of the events that have taken place are detailed below:

- Held two lively myth busting sessions with representations from the deaf community and dyslexia;
- The North East Sensory Services ran a sensory impairment awareness training session;
- Autism awareness raising sessions;
- LGBT+ awareness raising sessions, and
- took place in Pride Aberdeen in May 2019.

Does the organisation deliver positive outcomes for its diverse communities?

The council monitors improved outcomes for the diverse communities through the reporting of a number equal opportunities performance indicators, which record achievements, opportunities for further development and action plans to ensure these are taken forward.

Changes in service and actions have delivered to the diverse communities:

- Online payment facilities;
- Disability improvements in Housing;
- Adjustment to waste management where customers need additional help;
- Integration programmes;
- Use of interpreters;
- Adjusting learning practice to accommodate difference;
- Autism special events;
- Engagement with services to link equalities to all strategies being developed; and
- Different language and brail used for reports.



Best Value focus area: Equal Opportunities

As part of all Service Level Agreements the Council requires all partners to report on Equality outcomes.

The Council have carried out an Equalities impact and risks assessment for the current Covid19 situation. This is to provide the employees of the council with the Tools and skills to provide appropriate services to the diverse communities they serve.

In addition to the above the Council have developed a Socio-Economic rescue plan which develops the risks and findings from the fall out of the economic closedown and simultaneous fall in hydrocarbon prices, this plan has at the heart of it the communities within Aberdeen who through a series of consultations have had opportunity to impact on the plan.

The plan considers the impact on various sectors of the community including:

- BAME;
- Lone Parents;
- Homeless;
- Young people, and
- Disabled.

Our view – Equal Opportunities

The Council has integrated Equal Opportunities into its practices and policies, it is trying to be forward looking in methods and ways to communicate to hard to reach communities.

The council is committed to make decisions that do not impact negatively on diverse communities through equalities impact assessments, clearly demonstrated by the assessment of Covid19 on various communities

It has set performance indicators and is measuring achievement and continues to further develop plans with future actions.

It is clear that the Council is acting as a leader in the region on Equal Opportunities

The Council is an equal opportunities employer.

Following the Public Pound

Appointed auditors are required to consider the Council's arrangements for compliance with the Code of Guidance on Funding External Bodies and Following the Public Pound ("the FtPP Code"). We have previously considered management's processes to comply with the FtPP Code through its local code of practice which applies the FtPP Code in the local context of the Council's interactions with its Arm's Length External Organisations ('ALEOs').

Effective monitoring and scrutiny of ALEOs has continued to be enabled through the ALEO assurance hub, which provides officers and elected members with regular reporting of all ALEOs as set out on page 35.

Options appraisal

The Council has a business case template for use as part of the project management toolkit. This includes the requirement to undertake an options appraisal and all committee reports seeking decisions are submitted with the implications of recommended option. These implications include the impact of decisions on LOIP themes. Four control boards operate to oversee and act as gateways for business cases and options appraisal. Having considered the terms of reference and business case templates, we consider that the arrangements for options appraisal are robust and appropriate.

Income maximisation and risk management in commercial arrangements

As noted on page 33 we consider that the legal agreements and basis of arrangements third parties, to the extent reviewed as part of the audit, generally have suitable clauses which aim to minimise the financial risk to the Council which is good practice. They also often incentivise partners to seek to perform well and increase the return earned by the Council.

These arrangements are extremely complex and while the Council has identified staff responsible for their operational management, we consider that their scale and value could warrant dedicated resource to ensure maximum value is obtained and to manage contract risks.

Recommendation two (page 50)



Our view – value for money

There is a robust Performance Management Framework which ensures that Council performance is monitored and scrutinised. Progress reporting is transparent and includes targets, trend analysis and is provided in full detail and summary level to enhance stakeholder engagement.

The use options appraisal, scrutiny and challenge supports delivery of value for money.

The Council enters into complex arrangements with third parties for example, to operate P&J Live, hotels or support the development of land and value obtained from investment property. To the limited extent considered during the audit, we consider that these generally have suitable clauses to minimise financial risk to the Council and incentivise income generation. However, in the current Covid-19 environment the risk of unexpected clauses being invoked should be assessed and monitored by officers and members. In addition we consider their complexity could merit greater monitoring and management to ensure maximum benefit is achieved.

Our view – Best Value

Building upon the clear vision and objectives which the leadership has established in the LOIP, improvement actions, responsibility and monitoring arrangements are well established.

There is effective scrutiny and challenge, and we recognise that the Council has continued to revise governance arrangements and its structure to support delivery of the Target Operating Model.

Self-assessment and consideration of the views of stakeholders informs identification of governance improvement opportunities.

Public Performance Reporting is appropriate and transparent.

Equal Opportunities








The Council has a proactive approach to Equal opportunities and arrangements in place that should help to deliver equal opportunities to the diverse communities, and also to the workforce of the Council





















Appendices

Required communications with the Audit, Risk and Scrutiny Committee **DRAFT**

Type	Response
Our draft management representation letter	 We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2020.
Adjusted audit differences	 There were seven adjusted audit differences with an increased deficit impact of £97.6 million . See appendix three.
Unadjusted audit differences	 The aggregated deficit impact of unadjusted audit differences would be £3.6 million . In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See appendix four.
Related parties	 There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit, Risk and Scrutiny Committee	 There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	 We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	 No actual or suspected fraud involving Group or Component management, employees with significant roles in Group-wide internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.

Type	Response
Significant difficulties	 No significant difficulties were encountered during the audit.
Modifications to auditor's report	 None.
Disagreements with management or scope limitations	 The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	 No material inconsistencies were identified related to other information in the annual accounts. The Management Commentary is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	 No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.
Accounting practices	 Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	 The key audit matters (summarised on pages ten to 14) arising from the audit were discussed, or subject to correspondence, with management.

Additional report relating to EU Public Interest Entities

Type	Response
Our declaration of independence	 No matters to report. The engagement team has complied with relevant ethical requirements regarding independence.
Key audit partner(s)	 We have identified each key audit partner at page three in our Audit Strategy report dated 3 February 2020.
Independence of external experts engaged by KPMG and non-KPMG auditors	 We have not engaged external experts or engaged non-KPMG auditors for the performance of aspects of our group audit.
Communications with audit committee and management	 We have described the nature, frequency and extent of communication with the ARSC and management in our Audit Strategy report dated 3 February 2020.
Scope and timing of the audit	 We have described the scope and timing of the audit at pages in our Audit Strategy report dated 3 February 2020.
Audit methodology	 Our audit methodology is described at page six in this report.
Valuation methods	 On page nine (and in the accounting policies of the annual accounts), we report the valuation methods applied to the items in the financial statements and the impact of any changes.
Going concern assessment	 There are no significant matters affecting the entity's ability to continue as a going concern.
Requested explanations and documents	 No matters to report. All requested explanations and documents were provided by management.

Type	Response
Materiality	 Quantitative materiality applied to the audit of the financial statements as a whole and materiality for balances/disclosures affected by qualitative factors is set out in our Audit Strategy report dated 3 February 2020.
Non-compliance with laws and regulation or articles of association	 No actual or suspected non-compliance with laws and regulation or articles of association were identified during the audit.
Significant deficiencies in internal control	 There are no significant deficiencies to report in this report or our report dated 3 February 2020.
Significant difficulties	 No significant difficulties were encountered during the audit. The significant matters (pages eight to 14) arising from the audit were discussed, or subject to correspondence, with management. In our professional judgment, no matters arose from the audit that were significant to the oversight of the financial reporting process.
Non-KPMG component auditors	 We did not rely on the work of any non-KPMG component auditors in 2019-20.
Management's approach to consolidation	 We report on management's approach to consolidation on page 21 .It is consistent with the Code. The consolidated financial statements include all material subsidiaries.
Independence – Relationships and audit fees	 No relationships have been identified between the firm, and the entity that, in our professional judgment, may reasonably be thought to bear on independence. We received £275,270 of fees during the period covered by the annual accounts for audit services provided by the firm and KPMG member firms to the entity and components controlled by the entity. There were no non-audit fees receivable.

Assessment of our objectivity and independence as auditor of Aberdeen City Council (“the Council”)

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP’s objectivity and independence, the threats to KPMG LLP’s independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP’s objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values;
- Communications;
- Internal accountability;
- Risk management; and
- Independent reviews.

The conclusion of the audit engagement director as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period. We have detailed the fees charged by us to the Council and its related entities for significant professional services provided by us during the reporting period overleaf, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted.

Total fees charged by us for the period ended 31 March 2020 can be analysed as follows (there are no future services - contracted or with written proposal submitted, with the exception of continuing audit services).

Total fees charged by us for the period ending 31 March 2020 can be analysed as follows:	2019-20 continuing (inc VAT) £	2018-19 (inc VAT) £
Audit of the Council’s financial statements	264,710	254,500
Audit of subsidiaries (Aberdeen City Council Charitable Trusts)	10,560	10,320
Total audit services	275,270	264,820
Non-audit services	-	-
Total	275,270	264,820

The ratio of non-audit fees to audit fees for the year was 0 : 1. We do not consider that the total non-audit fees create a self-interest threat.

Joint ventures

We are appointed by the Accounts Commission via Audit Scotland as external auditor of Aberdeen City Council Charitable Trusts and Aberdeen City Integration Joint Board.

We are also appointed as external auditor of Aberdeen Sports Village Limited, a subsidiary of the Council, this is not an appointment of the Accounts Commission.

Contingent fees

Under the FRC's Revised Ethical Standard, no new tax contingent fees for listed entities can be entered into after 17 June 2016. We confirm that no new contingent fees for tax services have been entered into for the Council since that date.

Supplier relationship

KPMG LLP paid £x to the Council in the year ended 31 March 2020, in relation to rent, rates and services. This is not material to the Council or to KPMG LLP and we note that it is at a commercial "arm's-length" rate.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit, Risk and Scrutiny Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit, Risk and Scrutiny or Urgent Business Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

Audit differences - adjusted

The table below lists the adjusted audit differences identified during the course of our 2019-20 audit procedures. In addition to the audit adjustments, we identified disclosures within the annual accounts which required amendment related to **the basis of preparation, estimates and judgements, capital commitments and the remuneration report.. We have not yet reviewed the revised financial statements which incorporate the proposed adjustments. Certain amounts are subject to finalisation of audit procedures as previously noted.**

Adj	Nature of adjustment	Balance sheet		Income and expenditure account	
		£'000 DR	£'000 CR	£'000 DR	£'000 CR
1	Dr Property Plant and Equipment	266,640			
	Cr Investment Property		266,640		
Being reclassification of the Exhibition Centre site into Operational Assets					
2	Cr Property Plant and Equipment		20,661		
	Cr Investment Property		60,771		
	Dr Trading Property Letting			60,771	
	Dr Cost of Service – Resources			20,502	
	Dr Cost of Service – Operations			159	
Being the Impairment of the components on the TECA site following valuation.					
3	CR Property Plant and Equipment		152		
	Dr Short Term Creditors	152			
Being the over accrued position on a capital project.					
4	Dr Property Plant Equipment - Council Housing Stock	3,656			
	Cr Assets Held for Sale		£3,656		
Being Reclassification of Right to Buy Houses incorrectly categorised.					

Audit differences - adjusted (continued)

Adj	Nature of adjustment	Balance sheet		Income and expenditure account	
		£'000 DR	£'000 CR	£'000 DR	£'000 CR
5	Property Plant and Equipment	1,765			
	Sundry Debtors	2,126			
	Short Term Creditors		3,787		
	Grant receipts in advance	425			
	Taxation and Non Specific Grant Income				529
	Being the correction of missing accruals				
6	Short Term Borrowing	5,000			
	Long Term Borrowing		5,000		
	Being the correction of the borrowing due with 12 months				
7	Cr Cost of Service – Past Service Costs			16,700	
	Dr Retirement Benefit	16,700			
	Being the correction of the Impact of McCloud on DBO.				
	Total	295,764	360,667	98,132	529

Audit differences - Unadjusted

The table below lists the unadjusted audit differences identified during the course of our 2019-20 audit procedures. These adjustments are not considered material.

Adj	Nature of unadjusted difference	Balance sheet		Income and expenditure account	
		£'000 DR	£'000 CR	£'000 DR	£'000 CR
1	Interest Payable				3,609
	Bond Carrying Value	3,609			
Being correction of the overstatement of the Bond Carrying Value.					
	TOTAL	3,609			3,609

Finding(s) and risk(s)	Recommendation	Agreed management actions / audit update 2019-20
1. Year end Accruals process <i>Audit dimensions: financial management – Accounts preparation</i>		Grade two
<p>Testing of the year end cut-off identified two significant payments that were made for capital works completed in March 2020, however the formal approval of the works and payment took place in April 2020. The financial statements to 31 March 2020 should reflect all works completed to 31 March 2020 and as such these payments should be accrued into the Financial Statements for year to 31 March 2020, and not in April 2020.</p>	<p>It is recommended that the Council review its year end accruals processes to reflect the requirements of the Accrual concept, and or review its accounting policy to reflect the actual accruals practice for Accruing Capital works completed in year and signed off in the following year.</p>	<p>Timing for preparation of the draft accounts and deadlines set to achieve this was the reason for the omission.</p> <p>Agreed: to review year end instructions to ensure appropriate accruals are identified and recorded.</p> <p>Implementation Date: Deadline 31 December 2020.</p>
2. TECA commercial arrangements <i>Audit dimensions: financial management</i>		Grade two
<p>Testing of the detailed and complex commercial agreements that the are in place for the components of the TECA site has identified that for the Council to fully benefit from these legal agreements and manage associated risks, very close scrutiny and management of those contracts will be necessary.</p>	<p>It is recommended that the Council continue to work with operators to ensure there is sufficient and appropriate challenge to maximise benefit to the Council, and complete the post project evaluation as reported to the Capital Committee in November 2019.</p>	<p>Agreed.</p> <p>Implementation date: March 2021 for deadline.</p>

Prior year recommendations

We follow up prior-year audit recommendations to determine whether these have been addressed by management. The table below summarised the recommendations made during the 2017-18 and 2016-17 audits and their current status. We provide a status update below.

Year	Number of recommendations	Fully Implemented	In progress at June 2020
2017-18	4	0	3
2016-17	2	0	1

Finding(s) and risk(s)	Recommendation	Agreed management actions / update 2019-20
1. Regular user access appropriateness review <i>Audit dimensions: governance and transparency</i>		Grade one
<p>There is no regular review performed of user access to determine if the access is appropriate for active business users on the AIRS and Infosmart application, database and operating system (including privileged user access).</p> <p>User access is reviewed for the Oracle e-Financials and the Orbis Northgate applications, but the review does not establish if the user access assigned is appropriate for an individual's current role.</p> <p>Risk:</p> <p>Where user access is not reviewed on a regular basis, the risk is increased that individuals may gain or retain unauthorised access rights that are not needed for their business role. This can lead to controls and segregation of duties being by-passed, leading to erroneous or fraudulent transactions being processed.</p>	<ul style="list-style-type: none"> — Management should perform a periodic review of user access assigned to ensure that this is appropriate at the application, database and operating system level. — This should include an assessment of user access across the production, development and test environments to ensure appropriate segregation of duties exist. — Where inappropriate access is identified, this should be investigated and removed in a timely manner. — The review should be formal, documented and retained as evidence for audit purposes. 	<p>Original response: Agreed. Digital and Technology will lead on the implementation of this action, in conjunction with system owners to ensure consistency across all systems.</p> <p>Implementation date: 31 August 2018</p> <p>Responsible officer: Incident & Problem Co-ordinator, in conjunction with System Owners.</p> <p>Status update 2018-19: In progress.</p> <p>Whilst an email was circulated to all system owners within the Council advising them to remove any users who no longer required access to the system, this did not constitute a formal, documented and evidenced review suitable for audit purposes. We further note that this review appeared to be a one-off exercise, as opposed to periodic business-as-usual activity (e.g. quarterly user recertification).</p> <p>We note that the review did not consider the level of user access across environments to ensure appropriate segregation of duties between these environments. As the review was not formal in nature, there was no evidence of inappropriate access being further investigated and removed in a timely manner.</p> <p>Management response 2018-19: See page 55.</p> <p>Status update 2019-20: An ICT Access Control policy has been established. It includes appropriate principles regarding starters, leavers and amendments to user access. While it further reduces risk, it is not clear how access will be reviewed as recommended opposite.</p>

Prior year recommendations (continued) 2017-18

Finding(s) and risk(s)	Recommendation	Agreed management actions / update 2019-20
<p>2. Assignment of highly privileged access and monitoring of access</p> <p><i>Audit dimensions: governance and transparency</i></p>		<p>Grade one</p>
<p>Certain IT and business staff are assigned highly privileged access to the Council's IT systems (Oracle e-Financials, Orbis Northgate and Airs), required to perform user administration activities (e.g. assigning and changing user access rights), system development and configuration, and to ensure ongoing support and maintenance activities.</p> <p>We note that the Council does not monitor the activities performed by these accounts; security and event log auditing is either not enabled or not reviewed. For the purpose of relying on system generated reports for the external audit, we could not establish if the activities performed by these users were appropriate during the year . The weaknesses in the access assigned includes:</p> <ul style="list-style-type: none"> — The privileged access assigned allows users within the business to perform activities that should be segregated and/or pro-actively logged and reviewed to ensure appropriate; and — The Oracle e-Financials and Orbis Northgate system administrators within the business can make direct changes to the data within the underlying database and bypass system controls (not logged); and — A shared system administrator account is used for Airs by two members of business staff (not logged). — Risk: - Where privileged user access is not robustly controlled the risk is increased that: <ul style="list-style-type: none"> — unauthorised access is gained to process erroneous or fraudulent transactions, make changes to data, and system settings; — unauthorised changes are not detected and appropriate action taken; — IT / operational system downtime is experienced; and — the system does not function as intended by management. 	<p>Management should ensure that:</p> <ul style="list-style-type: none"> — A formal, documented and agreed policy is established that guides the Council's management of highly privileged access. — The sharing of the user accounts is investigated, risk assessed and the root cause is understood. — User accounts are only used by the approved and appropriate persons. — Each time the highly privileged accounts are used there should be a requirement that a supporting and approved incident ticket or change request is logged and retained. — The feasibility of implementing system audit logging for these highly privileged accounts is assessed, and if this is possible, a periodic review is performed over a sample of higher risk activity to ensure this was authorised and appropriate. — The logs are secured and retained in a segregated area that cannot be accessed by the users of the IT systems. 	<p>Original response: Agreed. Digital and Technology will lead on the implementation of this action, in conjunction with system owners to ensure consistency across all systems.</p> <p>Implementation date: 31 August 2018</p> <p>Responsible officer: Incident & Problem Co-ordinator, in conjunction with System Owners</p> <p>Status update 2018-19: In progress.</p> <p>Whilst a formal policy has been established to manage the Council's use of highly privileged access (as part of the overarching ICT Access Control Policy), there is scope for improvement in the day-to-day management of how these accounts are used.</p> <p>We note that there is currently no requirement to raise an incident or change ticket for each use of a privileged account, and we were not provided with any evidence of root cause analysis or restriction of privileged account sharing for AIRS.</p> <p>We note that audit logging is enabled for Orbis Northgate, eFinancials and Infosmart and the logs are securely stored in a segregated area , but regular reviews of these logs are not currently carried out.</p> <p>Management response 2018-19: See page 55.</p> <p>Status update 2019-20: An ICT Access Control policy has been established. It includes appropriate principles and sets expectations of users and system owners in respect of highly privileged access and logging. While it further reduces risk, it is not clear how access will be reviewed as recommended opposite.</p>

Prior year recommendations (continued) 2017-18

Finding(s) and risk(s)	Recommendation	Agreed management actions / update 2019-20
3. Changes to IT systems <i>Audit dimensions: governance and transparency</i>		Grade two
<p>There is no system generated log of changes to show the full population of changes to the Council’s IT systems (Oracle e-Financials, Orbis Northgate and AIRS). for example changes to underlying system code or configuration. Management is therefore unable to review the changes made to the system to ensure these are appropriately approved and tested.</p> <p>It is also noted that the system administrators for Oracle e-Financials and Orbis Northgate have access to the production, test and development environments.</p> <p>Risk:</p> <p>Where a system generated log of changes is not available and reviewed, the risk is increased that changes are made to the IT systems that do not function as intended.</p> <p>The risk is further increased where:</p> <ul style="list-style-type: none"> — user access is not reviewed on a periodic basis (as identified by internal audit in the Finance Systems review); — passwords to highly privileged user accounts are shared (finding 2); and — access to the production, test and development IT system environments are not segregated (this finding). 	<p>Management should ensure that:</p> <ul style="list-style-type: none"> — Access to the production, test and development IT system environments are appropriately segregated, and any exception is risk assessed and approved. — The feasibility of implementing a system generated change log for the application, database, and operating system is considered. Further, a sample of higher risk changes should be reviewed by an independent person on a periodic basis to identify if changes have been approved and tested. 	<p>Original response: Agreed. Digital and Technology will lead on the implementation of this action, in conjunction with system owners to ensure consistency across all systems.</p> <p>Implementation date: 31 August 2018</p> <p>Responsible officer: Incident & Problem Co-ordinator, in conjunction with System Owners</p> <p>Status update 2018-19: In progress.</p> <p>We note that there is no system generated changed log covering changes to key financial systems, and consequently no review of such changes being adequately approved and tested prior to release. Major changes to IT systems do come through the ACC Change Advisory Board, but cannot conclude that this covers all changes to IT systems.</p> <p>We were not made aware of risk assessment and / or approval relating to system administrators having access to multiple environments.</p> <p>Management response 2018-19:</p> <p>See page 56.</p> <p>Status update 2019-20: The management actions outlined on page 56 are appropriate but their successful implementation has not been tested by external audit to date as no reliance was planned on general IT controls and the recommendation therefore remains open. This will be reviewed in 2020-21.</p>

Prior year recommendations (continued) 2017-18

Finding(s) and risk(s)	Recommendation	Agreed management actions / update 2019-20
4. Password parameters configuration <i>Audit dimensions: governance and transparency</i>		Grade two
<p>The Council has established a range of information security policies and procedures which set out the minimum password parameters required.</p> <p>Our review identified the following which is not in line with the Council's information security policies and procedures:</p> <ul style="list-style-type: none"> — The Infosmart application does not have any password parameters assigned for the system administrator's accounts (the Council specifies these should be enforced). — The Airs application system administrator password has never changed (the Council specify these should be changed). — The Northgate application minimum password length is six characters (the Council specify this should be eight characters). <p>Risk:</p> <p>Where the passwords have weak configurations or are not compliant with the security policies approved by the Council, there is a risk that unauthorised users can have access to the applications. This could lead to system downtime, data not processed completely and accurately, or system changes that do not function as intended.</p>	<ul style="list-style-type: none"> — Management should review the password parameters and ensure that they are appropriate at the application, database and operating system level. — Where password parameters can not be implemented in line with minimum requirements, this should be risk assessed on a periodic basis and formally approved by the business and IT (e.g. IT security function). 	<p>Original response: Agreed. Digital and Technology will lead on the implementation of this action, in conjunction with system owners to ensure consistency across all systems.</p> <p>Implementation date: 31 August 2018</p> <p>Responsible officer: Incident & Problem Co-ordinator, in conjunction with System Owners</p> <p>Status update 2018-19: In progress.</p> <p>The minimum password length for the Orbis Northgate NDR application was updated to meet the ACC Password Standard .</p> <p>The Infosmart application uses Single Sign On, and therefore does not meet the enhanced requirements for administrator accounts, and we have not been provided with evidence of risk assessment or approval of this by ACC.</p> <p>We were not provided with evidence to suggest that the AIRS system administrator password has been changed since last year's audit.</p> <p>Management response 2018-19:</p> <p>See page 56.</p> <p>Status update 2019-20: complete</p> <p>A password standard was established as part of the ICT Access Control Policy which includes use of more complex passwords for administrator and privileged accounts.</p> <p>It is considered that the actions taken meet the original recommendation were possible and this recommendation is closed as complete.</p>

The 2018-19 management response to the first four prior year recommendations are provided on this page and the next page. The 2019-20 update is included against the original action.

Page 57

<p>1. Regular user access appropriateness review</p>	<p>Grade One</p>
<p>Proposed action: Services will implement a documented and evidenced review process against user access related to their systems with ICT assistance where appropriate. AIRS will not have this functionality. With continued development of our Identity and Access Management (IDAM) platform we would aim to bring in these systems into IDAM over time. EFinancials - To implement. Orbis - all users are required to confirm their ongoing need for access and levels of access required - including providing reason for access - on a rolling annual basis. Essentially, an Access database recording all users of Revenues and Benefits system (Orbis, Academy and URB) which incorporates a diary function prompting service to issue users with their annual system access review. A copy of the review form and screenshots of the database to illustrate functionality/control in place is provided to External Audit. Infosmart - Will implement a process similar to Orbis. User access to Development, Test and Live environments is segregated in that they are on different servers, different log on paths and use different usernames and passwords. These measures go towards mitigating potential risk. Many of the same users that use live environments also have to do testing and the test systems are also used to do training. We believe this segregation is adequate and meets the requirement.</p> <p style="text-align: right;">Implementation date: 31 August 2019</p> <p>Responsible officer: System Owners for D&T, EFinancials, Orbis, Infosmart.</p>	
<p>2. Assignment of highly privileged access and monitoring of access</p>	<p>Grade One</p>
<p>Proposed action: It is impractical to raise a change each time an elevated account is used. The AIRS 'system' is an Access Database and can only have one password which is restricted to two users. For EFinancials, Orbis and Infosmart systems, ICT will, where possible, share activity logs with the service monthly so they can ratify admin access and activity against their own record of change. EFinancials - a record of changes made to the database and also any fixes applied to the application are being kept. These have been reviewed by the service. This record is provided to External Audit and we believe this meets the requirement. Orbis - already keeps an audited record of all log-ins, plus a specific additional level of audit to record all changes to Security Permissions however logs are not regularly reviewed. The Service concerned will introduce a review process. We believe this meets the requirement. Infosmart - Paperwork backs up any change and the service will implement quarterly spot check to validate requested amendments were processed appropriately.</p> <p>Responsible officer: System Owners for D&T, EFinancials, Orbis, Infosmart. Implementation date: 31 July 2019</p>	

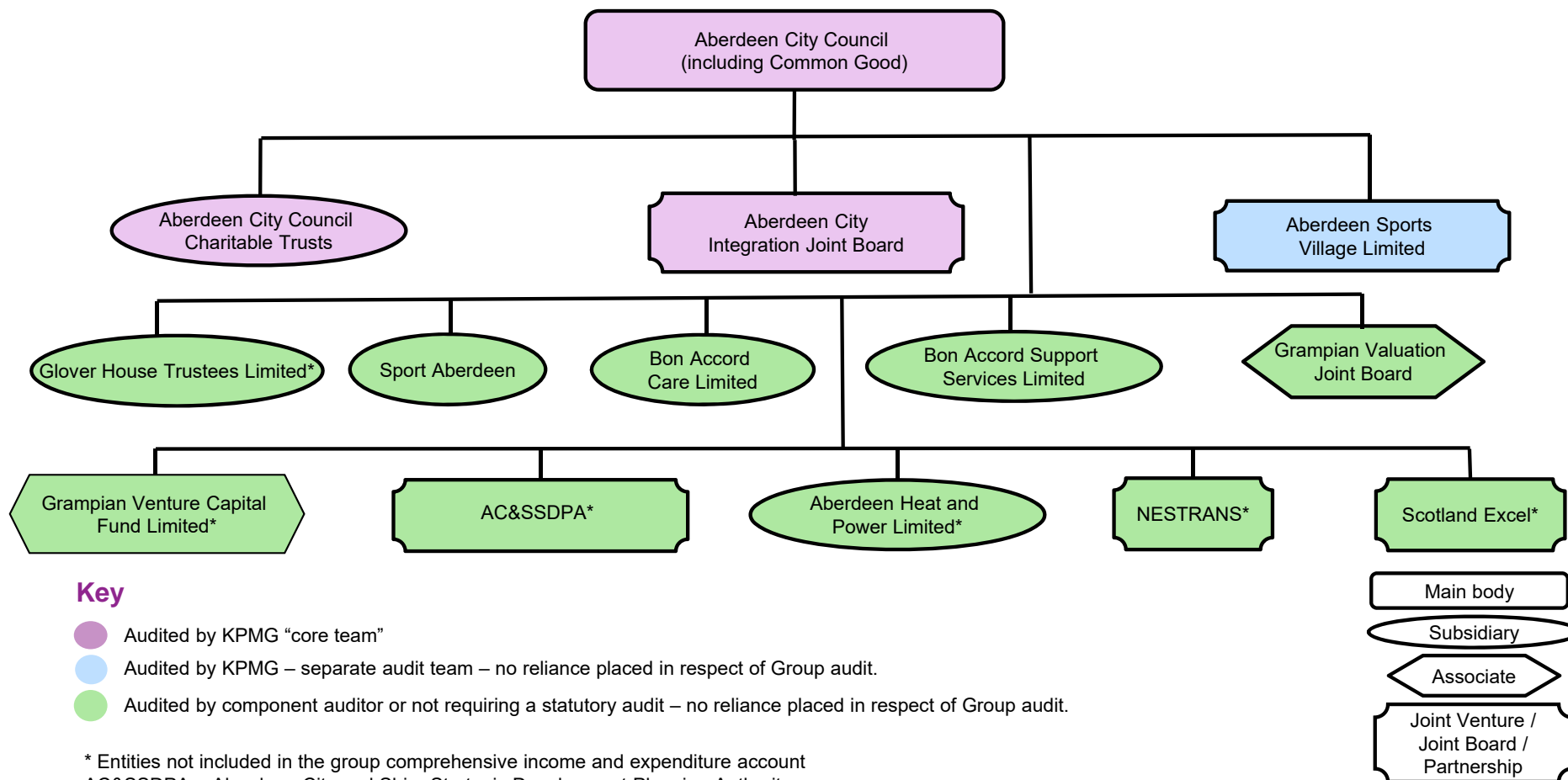
Prior year recommendations (continued) 2017-18

The 2018-19 management response to the first four prior year recommendations are provided on this page and the previous page. The 2019-20 update has been included on the page and the previous page.

<p>3. Changes to IT systems</p>	<p>Grade Two</p>
<p>Proposed action: Low level changes would not come through the ACC ICT Change Board. Medium to high changes do, in line with ACCs Change Control Policy. The Digital and Technology service will investigate systems for use of automatic change logs. EFinancials - a record of changes made to the database and also any fixes applied to the application are being kept. These have been reviewed by the service. This record is provided to External Audit and we believe this meets the requirement. Orbis - will be implemented with immediate effect. Infosmart - will discuss with other service to establish what record they keep and a similar process will be put in place.</p> <p>Responsible officer: System Owners for D&T, EFinancials, Orbis, Infosmart. Implementation date: 31 July 2019</p>	
<p>4. Password parameters configuration</p>	<p>Grade Two</p>
<p>Proposed action: Infosmart is using single sign on which uses AD accounts which force password length and complexity for standard accounts. Admins log in directly using the complexity rules of the system. Digital and Technology will investigate the rules to see if they can force passwords to match the password policy. If it is not able to, all admin users will be pointed to the policy and asked to confirm their passwords meet the standard. AIRS password has been changed and with the system owner confirming this to IT by Email as evidence. The services consider that this action is met.</p> <p>Responsible officer: Service System Owners in conjunction with IT Implementation date: 31 August 2019</p>	

Prior year recommendations (continued) 2016-17

Finding(s) and risk(s)	Recommendation	Agreed management actions / audit update 2019-20
<p>1. Complex accounting treatments <i>Audit dimensions: financial management</i></p>		<p>Grade two</p>
<p>Accounting for the bond issuance is complex and involves the calculation of an effective interest rate based on future forecast cashflows. Transactions for the bond were not included in the draft accounts, and were not agreed until late in the process.</p> <p>The Council has a number of ongoing projects which will have similar complex accounting treatments. There is a potential risk that accounts may contain significant errors or be delayed if complex accounting treatments are not agreed early or adequately documented.</p>	<p>For future complex financial transactions we recommend that management considers the accounting implications prior to the transaction taking place, and provide an accounting paper before the year end, to ensure these transactions can be agreed and incorporated into the draft financial statements.</p> <p>Status update 2017-18: In progress.</p> <p>While documentation was enhanced in respect of some areas, including bond accounting and preparation of a technical analysis in respect of lease classification of Marischal Square, there is scope for further improvement.</p>	<p>Responsible officer: Senior Accountant.</p> <p>Status update 2018-19: In progress.</p> <p>There is evidence of review of complex areas of accounting, generally without exceptions being identified. However, a material misstatement was identified during the audit in respect of accounting for Lochside Academy. It is recommended that for material complex arrangements, an accounting paper is prepared by Finance and is subject to senior officer review.</p> <p>2019-20 Update</p> <p>The review of the work around bringing the TECA site from Assets under Construction into operational and investment properties provided further evidence that the accounting paper and senior officer review had not taken place, and so the recommendation still stands.</p>



Grant claims and WGA return

We set out below the “other reporting” responsibilities of our audit appointment. We will update the next UBC or other committee meeting should there be any exceptions arising from the testing.

RETURN	DESCRIPTION	STATUS
Whole Government Accounts (“WGA”)	WGA is the consolidated financial statements for all components of government in the UK. Most public bodies are required to provide information for the preparation of WGA. External auditors are required to review and provide assurance on WGA returns over a prescribed threshold.	Report due September 2020.
Non Domestic Rates (“NDR”)	NDR in Scotland is collected by local authorities on an agency basis and notionally placed in a national ‘pool’, which is then redistributed among authorities based on each authority’s estimated collection levels. In April each year, authorities submit an estimate of their expected NDR following the year end, authorities are required to submit their actual NDR yield, known as ‘the notified amount’ in a final return to the Scottish Government.	Report due August 2020.
Housing Benefits (“HB”)	The HB subsidy scheme is the means by which local authorities claim subsidy from the Department for Work and Pensions (“DWP”) towards the cost of paying HB in their local areas. Claimants benefits either by direct application to the authority or by applying simultaneously for income support/jobseekers allowance and HB to the DWP. Eligibility for, and the amount of, HB is determined in all cases solely by the local authority. Monthly instalments of subsidy are made by the DWP on the basis of authorities’ estimates in March and August. Final subsidy claims are made on claim form MPF720B which requires to be certified by the external auditor.	Report due November 2020.
Education Maintenance Allowance (“EMA”)	EMA is a means tested weekly allowance payable to young people from low income families to encourage them to remain in education beyond the compulsory school leaving age. Local authorities manage the delivery of the EMA programme in respect of schools, home education, and all other learning other than college provision. EMA payments comprise a weekly allowance and are made by local authorities to eligible young people. The Scottish Government reimburses the costs incurred by authorities through monthly payments of grant. An allowance for the costs of administering the programme is also paid by the Scottish Government.	Report due July 2020.

Appointed auditor's responsibilities

AREA	APPOINTED AUDITOR'S RESPONSIBILITIES	HOW WE HAVE MET OUR RESPONSIBILITIES
Statutory duties	Undertake statutory duties, and comply with professional engagement and ethical standards.	Appendix two outlines our approach to independence.
Financial statements and related reports	<p>Provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions.</p> <p>Review and report on, as appropriate, other information such as annual governance statements, management commentaries, remuneration reports, grant claims and whole of government returns.</p>	<p>Page five summarises the opinions we currently expect to issue.</p> <p>Pages 19 and 20 report on the other information contained in the financial statements, covering the annual governance statement, management commentary and remuneration report.</p> <p>We have not yet issued opinions in respect of grant claims and whole of government accounts.</p>
Financial statements and related reports	Notify the Auditor General or Controller of Audit when circumstances indicate that a statutory report may be required.	Reviewed and concluded on the effectiveness and appropriateness of arrangements and systems of internal control, including risk management, internal audit, financial, operational and compliance controls.
Corporate governance	Participate in arrangements to cooperate and coordinate with other scrutiny bodies.	Page 37 includes arrangements to cooperate and coordinate with other scrutiny bodies.
Wider audit dimensions	<p>Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':</p> <ul style="list-style-type: none"> - Effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets; - Suitability and effectiveness of corporate governance arrangements; - Financial position and arrangements for securing financial sustainability; - Effectiveness of arrangements to achieve best value; and - Suitability of arrangements for preparing and publishing statutory performance information 	We set out our conclusions on wider scope and best value in from page 23 onwards.

KPMG's Audit quality framework

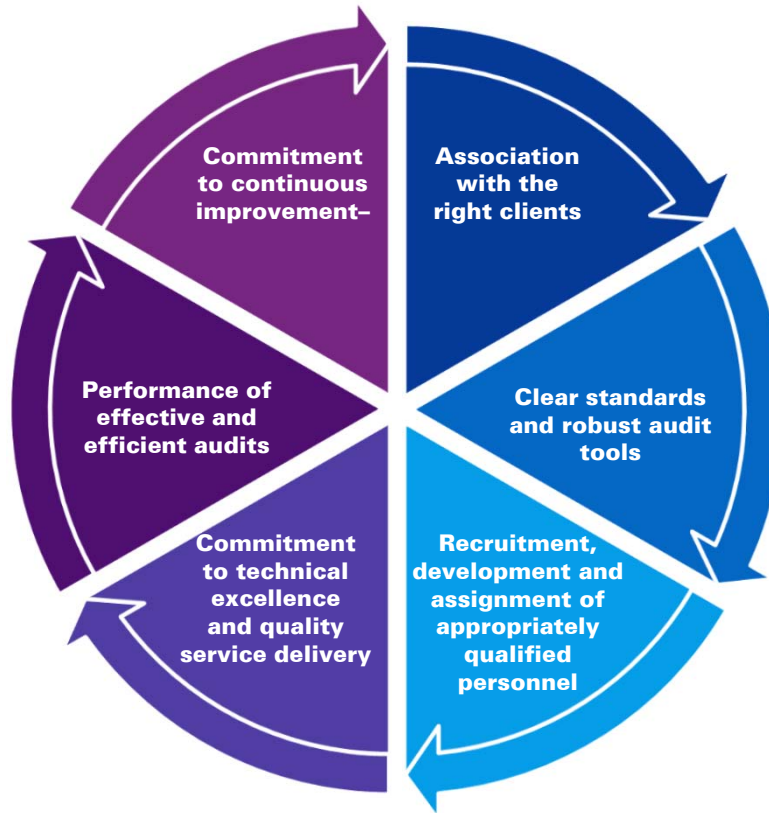
Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework

- Comprehensive effective monitoring processes
- Proactive identification of emerging risks and opportunities to improve quality and provide insights
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Relationships built on mutual respect
- Insightful, open and honest two way communications

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- Independence policies

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



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ABERDEEN CITY COUNCIL

COMMITTEE	Urgent Business Committee
DATE	30 June 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Audited Annual Accounts 2019/20
REPORT NUMBER	RES/20/097
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Lesley Fullerton
TERMS OF REFERENCE	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 audited Annual Accounts. The report also provides the audited 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. RECOMMENDATIONS

That the Committee :-

- 2.1 approve the Council's audited Annual Accounts for the financial year 2019/20 as presented, subject to the final amendments being agreed with external auditors as highlighted in their report, following consultation with the Chief Executive and five political group leaders; and
- 2.2 approve the audited Annual Accounts 2019/20, as stated at paragraph 2.1, for those registered charities where the Council is the sole trustee and nominate a trustee to sign the accounts.

3. BACKGROUND

3.1 Audited Annual Accounts

- 3.1.1 On 4 December 2019 the 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.

- 3.1.2 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

- 3.1.3 The change in governance arrangements for Council Committees, agreed by the Urgent Business Committee on 20 March 2020, (report no Gov/20/077) means that the audited Annual Accounts, along with the External Auditors report, are now being presented to this Urgent Business Committee.
- 3.1.4 On 6 May 2020 this Committee considered the unaudited Annual Accounts and they were signed by the Chief Officer - Finance (as Proper Officer).
- 3.1.5 The unaudited Annual Accounts were available for public inspection for the period 11 May – 1 June 2020.
- 3.1.6 Having considered the reports from the External Auditor and taken into account their audit opinion (in the previous report on the agenda) the committee must now consider the audited Annual Accounts and approve them for signature.
- 3.1.7 The preparation of the Council's Annual Accounts 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.

3.2 Financial Performance and Review of the Accounts

- 3.2.1 It should be noted that the audited Annual Accounts are prepared according to the requirements of the International Financial Reporting Standards 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.
- 3.2.2 A report covering the detailed financial position of the Council was also considered by this Committee on 6 May 2020. That report covered the Council's revenue and capital accounts for General Fund, Housing Revenue and Common Good and the reserves and balances of the Council as at 31 March 2020.
- 3.2.3 KPMG, the Council's external auditors, have now completed their audit and the Committee will note their findings from the report, which was an earlier item on this Committee's agenda. The auditor has indicated that it will provide the Council with an unqualified audit opinion and this is incorporated into the Annual Accounts document, attached as Appendix A.
- 3.2.4 In addition to those adjustments identified by the audit, the Council undertook to incorporate changes that officers had identified too. The most significant of which was in relation to the actuarial assumptions for the pension assets and liabilities. This was to comply with accounting standards as a result the estimation assumptions used in the Draft Accounts. Revised reports were received from the Pension Fund actuaries and resulted in a net decrease in liabilities of approximately £164m. This did not affect the Council's Usable Reserves.
- 3.2.5 A further adjustment was made to long term and short term borrowing to correctly identify borrowing, and immaterial amendments were made to creditors, debtors, revenue and long-term investments to update the position.
- 3.2.6 The group accounts have been amended to reflect all appropriate adjustments as well as any changes arising from the audit of other group entities.
- 3.2.7 These adjustments reflect a movement of £173k to the overall financial position of the Council as reported to Urgent Business Committee on 6 May 2020.
- 3.2.8 The statutory deadline for local authority financial statements to be audited and submitted to the appropriate committee is normally 30 September, with this being extended to 30 November this year in response to the impact of the Covid-19 pandemic. It should be noted that the Council's Annual Accounts have now been audited, along with a Best Value audit being completed five months ahead of the required deadline.

3.3 Registered Charities

- 3.3.1 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.

3.3.2 These accounts are subject to the same audit process as the Council with the audited accounts and related auditor's report included with the afore-mentioned report from the external auditor.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications, not already referred to, arising from this report.

5. LEGAL IMPLICATIONS

5.1 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.

5.2 There is a statutory requirement for the Council to produce the audited Annual Accounts for the Charitable Trusts within specific timescales and as per guidance produced by the Office of the Scottish Charity Regulator (OSCR).

6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	n/a	n/a	n/a
Compliance	Risk of legislation not being followed	L	Staff working with external audit to ensure compliance with legislation
Operational	There is the risk that technological issues may prevent the Council from preparing the annual accounts	L	Staff working with IT ensuring that correct processes are in place to prevent technological disruption
Financial	External audit reveals errors &/or adjustments	L	Officers discuss with auditors throughout the external audit process
Reputational	Information contained in the Annual Accounts may cause damage to the Council's reputation	L	Independent examination by senior staff and external auditors

Environment / Climate	n/a	n/a	n/a
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7. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
Impact of Report	
Aberdeen City Council Policy Statement	The proposals within this report provide financial information which supports all services and programmes provided by the Council.
Aberdeen City Local Outcome Improvement Plan	
Prosperous Economy Stretch Outcomes	The annual 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. The economy is exposed to external issues such as EU Exit, 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.
Prosperous People Stretch Outcomes	The Accounts for 2019/20 provide details of income and expenditure incurred in the provision of services in Aberdeen City for the year.
Prosperous Place Stretch Outcomes	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.
Regional and City Strategies	The Council's Annual Accounts provides financial information which supports these strategies.
UK and Scottish Legislative and Policy Programmes	Government guidance and policy is continually being updated and the Council continues to comply with the legislation updates.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	not required
Data Protection Impact Assessment	not required

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 2019/20

10. APPENDICES

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

11. REPORT AUTHOR CONTACT DETAILS

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**AUDITED 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 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. By the last week in June, this shutdown continued, however restrictions were being reviewed as the effects of the pandemic seemed to be lessening. 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 determined that it wished to continue to work to the previously planned timetable, however, recognised that there were concerns about the valuation of assets arising from the RICS guidance <https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/valuation-coronavirus>. The Council had 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 was 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 continued to consider guidance and standards to ensure that they reflected the most practicably transparent information for users.

At the time of writing this report, it is now three months since Covid-19 hit, and the peak has now subsided. The Council has made short, medium and long-term plans to continue to address the situation as it evolves and identified the savings that are required to mitigate all the known uncertainties, and will continuing to review the financial position to ensure sustainability going forward. Assumptions have been made on valuations in line with professional opinion. There is now has clear government guidance on the next steps. Therefore, the going concern position for the Council is robust.

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 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.

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 (£1.6 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.

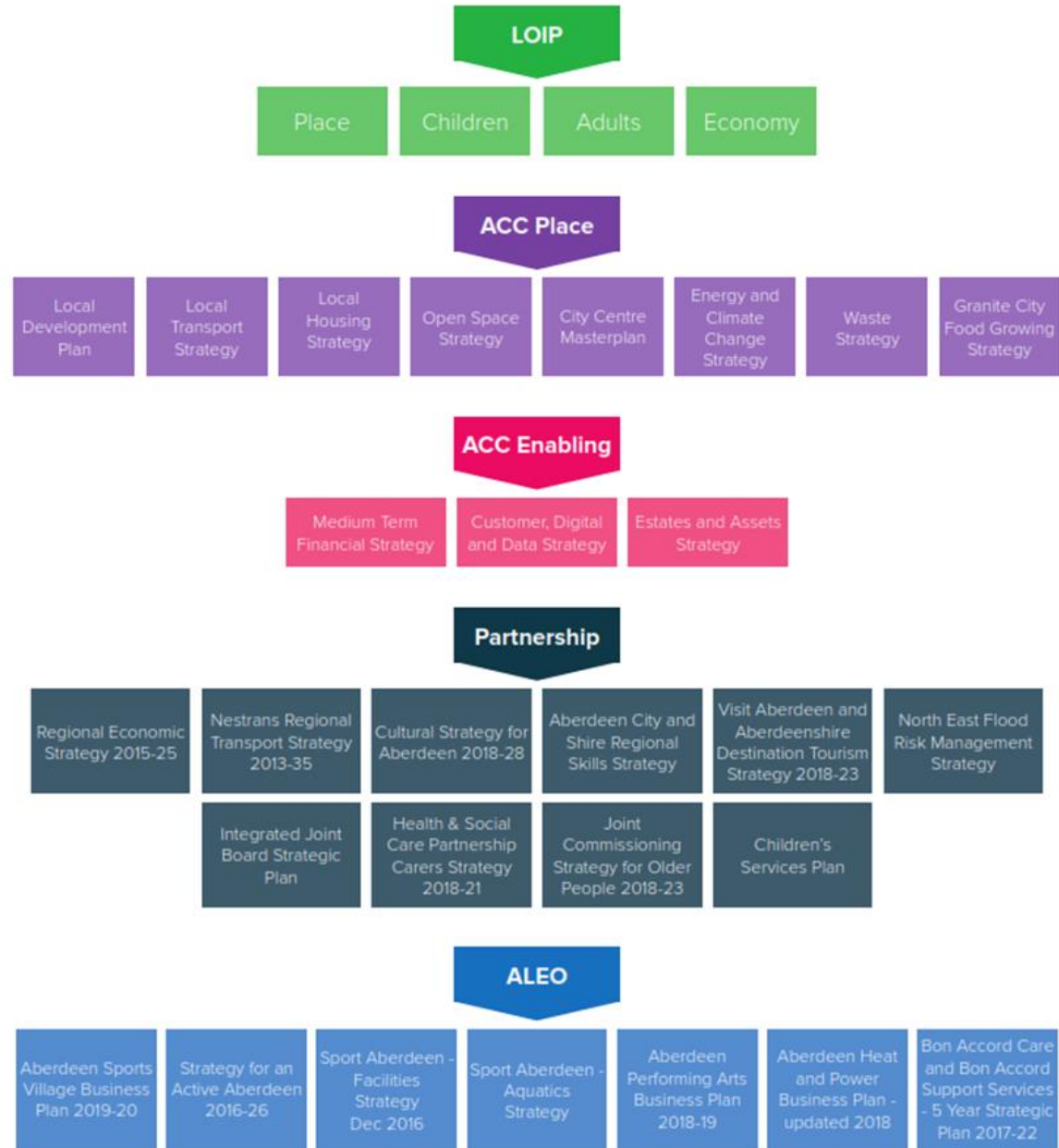
The Delivery Plan is aligned to further key documents below:

- [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 29th 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 (UBC) 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.

The Chief Officer – Finance issued a report at UBC on 6th May 2020 which provided details of the initial impact of COVID-19 on the Council, and a further report will be issued at this Committee on 30 June 2020 to advise of the action being taken in response to the pandemic, and the recovery plan in place.

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

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 Phase1 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

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 135 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 42 shows Net Assets of £1,216 million as at 31 March 2020 (£1,289 million at 31 March 2019), a reduction of £73 million. Long Term Assets have increased by £31 million (from £2,808 million at 31 March 2019), reflecting additions of £207 million to Property, Plant & Equipment (PPE), revaluation decreases of £133 million to the value of PPE, Heritage Assets and Investment Properties, disposals of £2 million and depreciation of £74 million. Short Term Assets have increased by £36 million from the previous year, reflecting increases in Cash & Cash Equivalents (£31 million), Short Term Investments (£5 million) and Debtors (£5 million). Current Liabilities have increased by £35 million from the previous year, in Short Term Borrowing (£11 million), Short term Creditors (£18 million) and Grants Received in Advance (£10 million). Long term liabilities have increased by £105 million, mainly due to an increase in long term borrowing.

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 104 – 105.

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 62 to 64.

- [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 £370 million 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 67 and the Comprehensive Income and Expenditure Statement (CIES) on page 41 as follows:

Financial Performance 19/20	Quarter 4 Final Position	Transfers between funds & other adjustments	(Surplus)/ Deficit per EFA	Other Adjustments	Statutory Adjustments	(Surplus)/ Deficit per CIES
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	(1,662)	10,610	8,948	(4,561)	127,472	131,859
Housing Revenue Account	(500)	(7,247)	(7,747)	(32,060)	64,513	24,706
(Surplus) /Deficit on provision of services	(2,162)	3,363	1,201	(36,622)	191,985	156,565
Other Comprehensive Income and Expenditure						(83,619)
Total Comprehensive Income & Expenditure Surplus	(2,162)	3,363	1,201	(36,622)	191,985	72,946

- [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 £3,203 million. This is an increase against the total assets of the Council, which are £3,090 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 2019/20. Details can be seen on page 143.

- [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 129 to 131.

- **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, an small decrease of £0.4 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 132 to 134.

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 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 20th 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 was presented to Urgent Business Committee on 6th May 2020. This set 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 was 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.

By early assessment and scenario planning of the impact of the COVID-19 outbreak and through the Governance arrangements described above, the Council has 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
30 June 2020

Angela Scott
Chief Executive

Councillor Douglas Lumsden
Co-Leader of the Council

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

30 June 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

30 June 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:

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

SECTION 1 SCOPE OF RESPONSIBILITY

A governance framework has been in place at Aberdeen City Council for the year ending 31 March 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.

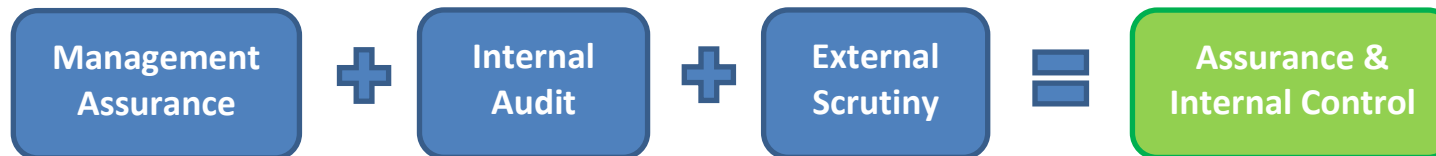
Principle A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Principle B	Ensuring openness and comprehensive stakeholder engagement
Principle C	Defining outcomes in terms of sustainable economic, social and environmental benefits
Principle D	Determining 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
A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> ➤ Attainment of CIPFA Governance Mark of Excellence. ➤ Information governance reporting and scrutiny through Audit, Risk & 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 ➤ 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. ➤ Member Officer Relations Protocol revised and updated to reflect new Guiding Principles. ➤ 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.

CIPFA Principle of Good Governance	Sources of Assurance 2019/20
B - Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> ➤ 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. ➤ 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. ➤ Policy guidance, template and policy update procedure made available online to all staff. ➤ 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.
	<ul style="list-style-type: none"> ➤ 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. ➤ Weekly Director and trade union meetings to strengthen engagement. ➤ Regular meetings between Chief Officers and TU representatives for cluster level engagement. ➤ 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. ➤ 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. ➤ 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. ➤ 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. ➤ Continuation of enhanced digital capabilities, including new online services such as the introduction of a chatbot to enhance the customer experience. ➤ 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 ➤ 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. ➤ 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. ➤ 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. ➤ Increased publishing of both Council and partners' "Open Data" to the wider community to promote transparency and encourage innovation around that data. ➤ Ongoing involvement in project groups including chairing the Community Engagement Group. ➤ Participation in various external partnerships which support the economic development of the Place of Aberdeen, for instance, City Region Deal Joint Committee.

CIPFA Principle of Good Governance	Sources of Assurance 2019/20
C - Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ➤ 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. ➤ 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. ➤ Approval of commissioning intentions defining the contribution of the organisation to the Local Outcome Improvement Plan. ➤ Approval of the Aberdeen Local Development Plan to facilitate the delivery of the Council's outcomes. ➤ 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. ➤ 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. ➤ 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. ➤ 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. ➤ 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"> ○ Work to develop and refresh place-based and council net zero and climate resilience plans. ○ 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. ○ 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.
D - Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> ➤ Approval of Council Delivery Plan 2020/21 setting out the Council's annual contribution to the LOIP, city and regional outcomes, and transformational activities. ➤ Approval of a joint strategic commissioning approach for both the Council and Aberdeen Integration Joint Board. ➤ 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. ➤ 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. ➤ Finalised structure also moves Governance, along with Strategic Place Planning & 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 & City Growth play in setting the strategic direction for the city against which the Council's commissioning intentions will be set. ➤ 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. ➤ Scheme of Governance kept under continuous review and amendments made and approved March 2020. ➤ Annual reports for each ALEO reported to Strategic Commissioning Committee.

CIPFA Principle of Good Governance	Sources of Assurance 2019/20
<p>E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> ➤ 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. ➤ ALEO Assurance Hub workplan 2020 reported to Audit, Risk and Scrutiny Committee for member oversight and assurance. ➤ 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. ➤ 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"> • 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; • 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; • 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; • 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; • reducing the instances of anti-social behaviour as a result of appropriate and effective interventions in targeted areas by 10% by 2021; • 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%; • increasing the number of young people taking up foundation apprenticeships to 142 by 2021; • 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%. ➤ 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. ➤ Continued training of councillors and officers on their obligations relative to the London Stock Exchange and Bond issue and on the Scheme of Governance. ➤ Introduction of Core HR, including giving employees more control over their own career and performance, but also more responsibility ➤ 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. ➤ 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. ➤ 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 ➤ 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. ➤ Continuation of training programme on use of data to support informed decision making and enable robust measurement and evaluation of interventions.

CIPFA Principle of Good Governance	Sources of Assurance 2019/20
F - Managing risk and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> ➤ Introduction of new intranet, including many learning and training resources for staff, webinars and opportunities for development ➤ Ongoing evaluation of Elected Member Development Programme with work undertaken to identify alternative delivery methods to increase take-up. ➤ Award of gold accreditation level from Investors in Young People recognising excellence in recruiting and retaining young people. <ul style="list-style-type: none"> ➤ 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. ➤ 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. ➤ Internal Audit's Annual Report for 2019/20 presented to Audit, Risk and Scrutiny Committee in April 2019. ➤ Risk Registers kept under continuous review and reported to Committees. ➤ 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. ➤ 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. ➤ 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. ➤ 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. <p>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.</p> <ul style="list-style-type: none"> ➤ 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.

CIPFA Principle of Good Governance	Sources of Assurance 2019/20
G - Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> ➤ 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.
	<ul style="list-style-type: none"> ➤ 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
A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> ➤ Embedding improvement work flowing from CIPFA Governance Mark of Excellence Report 2020. ➤ 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. ➤ Second annual review by Committees of their effectiveness against Terms of Reference. ➤ Continued monitoring of Member Officer Relations Protocol to ensure that it is consistently applied and to encourage consistency of Member / Officer behaviours ➤ Continuation of the Scheme of Governance training. ➤ Bond Governance – continue to embed implications of trading on London Stock Exchange within organisation.

CIPFA Principle of Good Governance	Primary Actions Planned 2020/21
	<ul style="list-style-type: none"> ➤ 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. ➤ Ongoing work to create more awareness of policies, the need for regular review and the aim of improving compliance. ➤ Keeping Guiding Principles and capability framework under review, encouraging and monitoring desired staff behaviours.
B - Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> ➤ Annual review of the ALEO Assurance Hub. ➤ 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. ➤ The Customer Feedback Team will continue to work with services to improve the quality and speed of responses to Elected Members. ➤ Continued embedding of the improvements in Customer and Community Empowerment and Engagement and taking the steps required to demonstrate Customer Service Excellence ➤ Development of models for civic leadership and engagement to strengthen collaborative decision making. ➤ 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. ➤ Roll out of combined impact assessment form and supporting guidance
C - Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ➤ Review of support to Trusts to ensure that funding and support is aligned with outcomes. ➤ The Strategic Commissioning Committee will continue to perform a monitoring role, approving commissioning activity to help ensure that the needs and outcomes specified in the LOIP are being achieved. ➤ Continued embedding of commissioning for outcomes – not only in external commissioning, but in commissioning of internal services. ➤ 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 ➤ 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. ➤ 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. ➤ 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.
D - Determining the interventions necessary to	<ul style="list-style-type: none"> ➤ 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.

CIPFA Principle of Good Governance	Primary Actions Planned 2020/21
optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> ➤ Move of Governance, along with Strategic Place Planning & 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 & City Growth play in setting the strategic direction for the city against which the Council's commissioning intentions will be set. ➤ Evaluation of progress in delivering better outcomes. ➤ 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. 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.
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> ➤ Review after one year of operation of the new approach to internal recruitment and movement of staff. ➤ Ongoing Continuous Review and Development work throughout the year, including development plans for individuals being taken forward. ➤ Embedding of recent developments, including Guiding Principles, staff development and the capability framework and the workforce plan. ➤ Continuation of development planning sessions for new and existing Chief Officers. ➤ 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. ➤ Ongoing review of People Policies, updating them to align with, and act as behaviour reinforcers for, the Guiding Principles.
F - Managing risk and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> ➤ Ongoing reporting through Performance Management Framework to evidence the delivery of better outcomes. ➤ 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. ➤ Development and delivery of a risk appetite statement. ➤ Develop business case for digital platform for closing health and safety audits, fire risk assessments, compliance monitoring, workplace inspections and incident investigations. ➤ Updating and approval of Business Continuity Policy ➤ 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. ➤ Health and Safety training matrix for staff at all levels to be introduced. ➤ 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. ➤ Further improvements to finance Business Partnering value adding arrangements through active management.
G - Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> ➤ 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. ➤ Approval of a risk based Internal Audit Plan 2020/21. ➤ Approval of programme for the ALEO Assurance Hub 2021/22. ➤ Embedding of 'real time' dashboards in respect of performance and assurance helping to empower staff to make informed decisions. ➤ Further development of committee effectiveness reports.

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
1	New issues in 2019/20		
	None		
2			

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, 30 June 2020:

Angela Scott
Chief Executive

Councillor Douglas Lumsden
Co-Leader of the Council

30 June 2020

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 £441,170 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	-	Total	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 £	2019/20 £
Salaries	948,916	957,736
Allowances	-	-
Expenses	58,220	39,134
Total	1,007,136	996,870

Table 3: Exit Packages

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Exit Packages Approved		Cost of Exit Packages £'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	53	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	7	296	1,531	1,827	100	769	869
£150,000 - £199,999	-	-	9	1	148	1,556	1,704	17	133	150
£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
Total	-	-	174	109	2,420	5,578	7,998	1,531	2,784	4,315

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				Notes
			Salary, Fees and Allowances £	Non-Cash Benefits-In-Kind £	Other Expenses £	Total Remuneration £	
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	30,575	911	9,907	41,393	
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)	2,466	7	-	2,473	
30,025	Stephen Flynn	Convener, Audit, Risk and Scrutiny (until 5 January 2020)	23,342	69	33	23,444	
22,789	Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	22,930	82	70	23,082	
29,847	Yvonne Allan	Convener, Staff Governance	30,575	82	-	30,657	5
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	6
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	7
29,954	Marie Boulton	Convener, Capital Programme	30,575	88	73	30,736	8
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	9
22,402	Claire Imrie	Mental Health Spokeperson	17,138	82	-	17,220	
554,032	Total		512,510	3,276	29,026	544,812	

Table 4 Notes

Note 1:	Councillor Laing is also Convener of Strategic Commissioning; Urgent Business Committee and Aberdeen City Region Deal.
Note 2:	Councillor Lumsden is also Convener, City Growth and Resources and Vice Convener of the Capital Programme and Urgent Business.
Note 3:	Councillor Stewart is also Convener Public Protection and Vice Convener Planning Development Management.
Note 4:	Councillor Houghton is also Vice Convener Staff Governance.
Note 5:	Councillor Allan is also Convener Appeals.
Note 6:	Councillor Wheeler is also Convener Education Operational Delivery.
Note 7:	Councillor Reynolds is also Vice Convener Pensions Committee.
Note 8:	Councillor Boulton is also Convener Planning Development Management.
Note 9:	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 £	Name	Post Title	Full Time Equivalent £	Salary, Fees and Allowances £	Compensation for Loss of Employment £	Total Remuneration* £	Returning Officer Fee note 1 £
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	
1,177,019	Total			1,105,979	-	1,105,979	

*	Some senior employees have carried out duties at Parliamentary Elections held during the year. Remuneration above includes any payment received for these duties.
Note 1:	The total remuneration includes Returning Officer (RO) fees. An RO is the person responsible for administering a parliamentary election. These duties are separate from any duties undertaken as a local government employee. The total RO fee is regulated by The 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 £	Name	Post Title	Salary, Fees and Allowances £	Compensation for Loss of Office £	Benefits Other Than in Cash £	Total Remuneration £
94,213	Alistair Robertson	Managing Director Sport Aberdeen Ltd	99,900	-	-	99,900
-	Alexis Chappell	Managing Director Bon Accord Support Services Ltd (from 1 September 2019)	58,658	-	-	58,658
55,903	Alistair MacLean	Acting Managing Director Bon Accord Support Services Ltd (until 31 August 2019)	48,548	-	-	48,548
39,828	Sandra Ross	Managing Director (until 31 August 2018) Bon Accord Support Services Ltd	-	-	-	-
189,944	Total		207,106	-	-	207,106

Pension Benefits

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

Councillors' pension benefits up to 31 March 2015 are based on career average pay. The Councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

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

For local government employees, this is a final salary pension scheme for all service up until 31 March 2015. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. From 1 April 2015 it is a Career Average Revalued Earnings (CARE) scheme where the pension is calculated at 1/49th of the pensionable pay for the year. This is then revalued by the appropriate factor on 1 April and carried forward into the next year.

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

The tiers and members contribution rates are as follows:

Pensionable pay	Contribution rate 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 1/49th of pensionable pay (from 2009 to 2015 the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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

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

The scheme's normal retirement age for both Councillors and employees is their New State Pension Age.

Pension Disclosures:

Table 7: Details of pension contributions made by the Council to the North East Scotland Pension Fund (NESPF) on behalf of Senior Councillors, and their individual pension entitlements as at 31 March 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 March 2019 £	For year to 31 March 2020 £		As at 31 March 2020 £'000	Difference from 31 March 2019 £'000
Jennifer Laing	Co Council Leader	7,653	7,850	Pension	8	1
				Lump Sum	2	-
Douglas Lumsden	Co Council Leader	5,740	5,888	Pension	2	1
Barney Crockett	Lord Provost	5,740	5,888	Pension	7	1
				Lump Sum	2	-
Jennifer Stewart	Depute Lord Provost	5,740	5,888	Pension	6	1
				Lump Sum	2	-
Alan Donnelly	Depute Provost (until 24 January 2019)	3,565	-	Pension	-	(7)
				Lump Sum	-	(10)
Ryan Houghton	Business Manager	5,740	5,888	Pension	2	1
Stephen Flynn	Convener, Audit, Risk and Scrutiny (until 5 January 2020)	5,740	4,505	Pension	3	1
Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	4,305	4,416	Pension	5	-
				Lump Sum	2	-
Yvonne Allan	Convener, Staff Governance	5,740	5,888	Pension	8	1
				Lump Sum	2	-
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	5	-
				Lump Sum	2	-
John Reynolds	Convener, Licensing Committee	5,740	5,888	Pension	8	2
				Lump Sum	2	-
Marie Boulton	Convener, Capital Programme	5,740	5,888	Pension	7	1
				Lump Sum	2	-
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	-
Total		97,318	98,186	Pension	77	8
				Lump Sum	16	(10)

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

Table 8: Pension Benefits – Senior Employees

Name	Post Title	In-year Pension Contributions by ACC		Accrued Pension Benefits		
		For year to 31 March 2019 £	For year to 31 March 2020 £		As at 31 March 2020 £'000	Difference from 31 March 2019 £'000
Angela Scott	Chief Executive	29,222	30,098	Pension	73	4
Andy MacDonald	Director of Customer Services	22,697	23,378	Pension Lump Sum	28 17	3 1
Frank McGhee	Director of Commissioning (until 30 April 2019)	22,697	1,948	Pension	-	(2)
Rob Polkinghorne	Chief Operating Officer	22,697	23,378	Pension	2	(1)
Steven Whyte	Director of Resources	22,697	23,378	Pension Lump Sum	42 59	3 1
Jonathan Belford	Chief Officer - Finance	9,765	17,242	Pension Lump Sum	35 59	34 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 Lump Sum	28 43	2 1
Richard Sweetnam	Chief Officer - City Growth	16,039	16,520	Pension Lump Sum	24 21	2 1
Alison McAlpine	Chief Social Work Officer (shared responsibility)	2,735	11,266	Pension Lump Sum	16 16	2 -
Isabel McDonnell	Chief Social Work Officer (shared responsibility)	2,735	11,266	Pension Lump Sum	26 45	2 3
Graeme Simpson	Chief Social Work Officer (until 31 July 18)	3,742	-	Pension Lump Sum	32 46	5 6
Anne Donaldson	Chief Social Work Officer (until 31 December 18)	8,419	-	Pension Lump Sum	- -	(32) (65)
Eleanor Sheppard	Chief Education Officer	7,280	16,027	Pension Lump Sum	27 60	3 3
TOTAL		203,879	208,263	Pension Lump Sum	349 366	27 10

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

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

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

Angela Scott
Chief Executive

30 June 2020

Councillor Douglas Lumsden
Co-Leader of the Council

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.

*£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

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

transfer was treated as a capital receipt by the GF and was transferred to the GF Capital Fund

	General Fund Balance £'000	Housing Revenue Account £'000	Statutory and Other Reserves £'000	Capital Grants & Receipts Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2019 brought forward	(35,054)	(12,308)	(10,825)	(482)	(58,669)	(1,230,244)	(1,288,913)
Movement in Reserves during 2019/20							
Total Comprehensive Income & Expenditure	125,395	31,170	0	0	156,565	(83,619)	72,946
Adjustments between accounting basis & funding basis under regulations (note 5)	(123,689)	(31,675)	(853)	0	(156,217)	156,217	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,706	(505)	(853)	0	348	72,598	72,946
Transfers to/(from) Reserves	(1,946)	5	301	0	(1,640)	1,640	0
(Increase)/Decrease in Year	(240)	(500)	(552)	0	(1,292)	74,238	72,946
Balance at 31 March 2020	(35,294)	(12,808)	(11,377)	(482)	(59,961)	(1,156,006)	(1,215,967)

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 £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
314,563	(33,429)	281,134	Operations	331,792	(50,745)	281,047
105,592	(68,565)	37,027	Customer	101,141	(63,804)	37,337
32,531	(2,520)	30,011	Commissioning	13,991	(5,004)	8,987
52,769	(39,724)	13,045	Resources	217,171	(183,672)	33,499
30,696	(7,112)	23,584	Place	33,809	(9,547)	24,262
3,995	(1,347)	2,648	Governance	5,613	(2,309)	3,304
226,726	(140,292)	86,434	Integration Joint Board	236,585	(145,172)	91,413
36,110	7,146	43,256	Corporate	43,712	(821)	42,891
116,789	(96,161)	20,628	Housing Revenue Account	125,166	(100,460)	24,706
919,771	(382,004)	537,767	Cost of Services	1,108,980	(561,534)	547,446
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)	164,086	(54,307)	109,779
0	(480,930)	(480,930)	Taxation and Non Specific Grant Income (note 10)	0	(501,797)	(501,797)
1,017,522	(913,582)	103,940	(Surplus) or Deficit on Provision of Services	1,274,203	(1,117,638)	156,565
		(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			(70,606)
		5,059	Other (gains)/losses			(1,895)
		(8,962)	Other Comprehensive Income and Expenditure			(83,619)
		94,978	Total Comprehensive Income and Expenditure			72,946

Balance Sheet

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

1 April 2018 £'000	31 March 2019 £'000		Note	31 March 2020 £'000
2,311,324	2,438,886	Property, Plant & Equipment	28	2,405,949
197,370	197,691	Heritage Assets	27	197,819
148,592	145,832	Investment Property	26	210,745
18,076	17,638	Long Term Investments	38	17,090
8,222	7,592	Long Term Debtors	38	7,539
2,683,584	2,807,639	Long Term Assets		2,839,142
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	96,981
1,174	1,832	Inventories	32	2,017
6,198	5,693	Assets Held for Sale	31	0
239,571	215,416	Current Assets		250,994
(79,435)	(197,228)	Short Term Borrowing	38	(208,162)
(78,613)	(80,860)	Short Term Creditors	34	(98,835)
(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)
(181,068)	(309,264)	Current Liabilities		(344,640)

1 April 2018 £'000	31 March 2019 £'000		Note	31 March 2020 £'000
(890,982)	(895,954)	Long Term Borrowing	38	(1,026,809)
(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	(309,303)
(1,358,196)	(1,424,878)	Long Term Liabilities		(1,529,529)
1,383,891	1,288,913	Net Assets		1,215,967
		Usable Reserves:		
(40,697)	(35,054)	General Fund Balance		(35,294)
(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	(1,156,006)
(1,383,891)	(1,288,913)	Total Reserves		(1,215,967)

Jonathan Belford, CPFA
Chief Officer - Finance

30 June 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.

2018/19 £'000		2019/20 £'000
(103,940)	Net Surplus or (Deficit) on the provision of services	(156,565)
162,692	Adjust net surplus or deficit on the provision of services for non cash movements (note 14)	262,525
(29,420)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(30,015)
29,332	Net cash flows from Operating Activities (note 14)	75,945
(119,469)	Net cash flows from Investing Activities (note 15)	(166,548)
104,455	Net cash flows from Financing Activities (note 16)	121,625
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
70,520	Cash and cash equivalents at the end of the reporting period (note 17)	101,542

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 BenefitsBenefits Payable during Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

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.

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 Valuations	<p>In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards('Red Book'), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'</p> <p>The valuation report has been used to inform the measurement of non-current assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2020 and can be relied upon.</p>	<p>The valuation report has indicated the range of uncertainty attached to the valuation of the different types of assets including office, retail, industrial and ground leases within the Investment portfolio ranges from 4.8% - 8.15%. Reflecting these movements on the basis of the higher end of the range would provide a 2% change in valuation which is expected to have a £14.15m impact on the Statement of Financial Position.</p> <p>Of the £758,943,050 net book value of land and buildings subject to valuation £461,214,944 relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to the Council of replacing the service potential of the assets; the uncertainty relates to the estimated costs of, rather than the extent of, service potential to be replaced. Covid-19 may also have a further impact of the value of assets subsequent to the balance sheet date. There is to date, limited market evidence to indicate the impact on particular categories of non-current asset.</p>
Property, Plant and Equipment Depreciation	<p>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.</p>	<p>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.</p>
Council Dwellings – Housing Stock	<p>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%.</p>	<p>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. 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.</p>

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 £29.4 million. However, if another assumption were increased, e.g. pay inflation, by 0.1% then this would result in an increase in the pension liability of £29.9 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 £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	
Adjustments involving the Capital Adjustment Account (CAA):						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Charges for depreciation and impairment of non current assets	(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)
Adjustments involving the Capital Receipts Reserve:						
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
Adjustments involving the Financial Instruments Adjustment Account:						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	429	0	0	0	0	(429)
Adjustments involving the Pensions Reserve:						
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)
Adjustments involving the Accumulated Absences Account:						
Adjustments in relation to short term compensated absences	0	0	0	0	0	0
Total Adjustments	(65,140)	(30,905)	(663)	0	0	96,708

2019/20	Usable Reserves					Capital Grants Unapplied Account £'000	Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000			
Adjustments involving the Capital Adjustment Account (CAA):							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non current assets	(41,920)	(31,900)	0	0	0	73,820	
Revaluation losses on Property, Plant and Equipment	(24,075)	(32,147)	0	0	0	56,222	
Capital grants and contributions applied	43,226	1,483	0	0	0	(44,709)	
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	(60,341)	0	0	0	0	60,341	
<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)	
Adjustments involving the Capital Receipts Reserve:							
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	
Adjustments involving the Financial Instruments Adjustment Account:							
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	431	0	0	0	0	(431)	
Adjustments involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(80,491)	(1,605)	0	0	0	82,096	
Employer's pensions contributions and direct payments to pensioners payable in the year	33,368	927	0	0	0	(34,295)	
Adjustments involving the Accumulated Absences Account:							
Adjustments in relation to short term compensated absences	(524)	0	0	0	0	524	
Total Adjustments	(123,689)	(31,675)	(853)	0	0	156,217	

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 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance at 31 March 2020 £'000	Purpose of the Earmarked Reserve
General Fund:								
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
Mither 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
Sub Total	(29,041)	(3,725)	9,479	(23,287)	(4,717)	6,676	(21,328)	

	Balance at 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Purpose of the Earmarked Reserve
General Fund Continued	(29,041)	(3,725)	9,479	(23,287)	(4,717)	6,676	(21,328)	
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
Total General Fund	(29,313)	(4,999)	9,596	(24,716)	(6,623)	7,949	(23,390)	
	Balance at 31 March 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance at 31 March 2020 £'000	Purpose of the Earmarked Reserve
Housing Revenue Account (HRA):								
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.
Total HRA	(2,162)	(2,522)	2,163	(2,521)	(1,718)	2,213	(2,026)	
Total Earmarked Reserves	(31,475)	(7,521)	11,759	(27,237)	(8,341)	10,162	(25,416)	

	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
Net Movement in Earmarked Reserves in 2018/19	4,597	(359)	Net Movement in Earmarked Reserves in 2019/20	1,326	495

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

Name of Fund	Balance at 1 April 2018 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance at 31 March 2020 £'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
Total Statutory and Other Funds	(13,474)	(8,833)	11,482	(10,825)	(1,405)	853	(11,377)	

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

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	257,653	23,394	281,047
32,273	4,754	37,027	Customer	31,852	5,485	37,337
28,741	1,270	30,011	Commissioning	8,086	901	8,987
5,785	7,260	13,045	Resources	6,246	27,253	33,499
13,666	9,918	23,584	Place	15,533	8,729	24,262
2,421	227	2,648	Governance	2,994	310	3,304
84,995	1,439	86,434	Integration Joint Board	89,432	1,981	91,413
34,934	8,322	43,256	Corporate	23,898	18,993	42,891
(14,966)	35,594	20,628	Housing Revenue Account	(7,747)	32,453	24,706
419,130	118,637	537,767	Net Cost of Services	427,947	119,499	547,446
(411,176)	(22,651)	(433,827)	Other Income and Expenditure	(426,746)	35,865	(390,881)
7,954	95,986	103,940	(Surplus) or Deficit on Provision of Services	1,201	155,364	156,565
(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	1,201		
(2,811)			To/From Other Statutory Reserves	(1,941)		
(47,362)			Closing General Fund and HRA Balance at 31 March 2020	(48,102)		

for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
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
Net Cost of Services	129,071	17,877	(28,311)	118,637
Other Income and Expenditure from the Funding Analysis	(30,006)	8,597	(1,242)	(22,651)
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6)	99,065	26,474	(29,553)	95,986

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

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Operations	13,279	9,507	608	23,394
Customer	3,931	1,953	(399)	5,485
Commissioning	657	296	(52)	901
Resources	26,360	922	(29)	27,253
Place	8,064	864	(199)	8,729
Governance	20	290	0	310
Integration Joint Board	524	1,498	(41)	1,981
Corporate	14	22,863	(3,884)	18,993
Housing Revenue Account	64,047	466	(32,060)	32,453
Net Cost of Services	116,896	38,659	(36,056)	119,499
Other Income and Expenditure from the Funding Analysis	27,290	9,142	(567)	35,865
Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6)	144,186	47,801	(36,623)	155,364

8. Comprehensive Income & Expenditure Statement - Other Operating Expenditure

2018/19 £'000		2019/20 £'000
(72)	Gains on the disposal on non current assets	1,137
(72)	Total	1,137

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

2018/19 £'000		2019/20 £'000
49,868	Interest payable and similar charges	53,367
7,600	Pensions interest cost and expected return on pensions assets	7,848
(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	53,972
(1,886)	Other Investment income	(3,389)
47,175	Total	109,779

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

2018/19 £'000		2019/20 £'000
(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	(44,710)
(483)	Capital grants and receipts unapplied	0
(480,930)	Total	(501,797)

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

31 March 2019 £'000		31 March 2020 £'000
(960,317)	Revaluation Reserve	(947,601)
(622,668)	Capital Adjustment Account	(538,432)
15,026	Financial Instruments Adjustment Account	14,595
332,108	Pensions Reserve	309,303
5,607	Accumulated Absences Account	6,129
(1,230,244)	Total	(1,156,006)

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
	(977,286)	Balance at 1 April		(960,317)
(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
	(960,317)	Balance at 31 March		(947,601)

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 £'000		2019/20	
		£'000	£'000
(672,674)	Balance at 1 April		(622,668)
	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	56,222	
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		131,991	
(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		108,156
	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	(44,710)	
(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)			(86,009)
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		60,341
5,713	Written off		(252)
4,770	Grant Funding		2,000
(622,668)	Balance at 31 March	0	(538,432)

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	Balance at 1 April		15,026
	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)
15,026	Balance at 31 March		14,595

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	Balance at 1 April		332,108
(4,617)	Remeasurements of the net defined benefit liability		(70,606)
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		82,096
(35,889)	Employer's pensions contributions and direct payments to pensioners payable in the year		(34,295)
332,108	Balance at 31 March		309,303

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		2019/20	
£'000		£'000	£'000
5,607	Balance at 1 April		5,607
(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
5,607	Balance at 31 March		6,129

14. Cash Flow Statement – Operating Activities

2018/19		2019/20
£'000		£'000
(103,940)	Net surplus or (deficit) on the provision of services ^	(156,565)
(103,940)		(156,565)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
71,843	Depreciation	73,820
65,976	Impairment, downward revaluations & non sale derecognitions	56,222
(434)	(Increase)/Decrease in Stock	(185)
(14,237)	(Increase)/Decrease in Debtors	(4,770)
9,769	Increase/(Decrease) in Creditors	28,616
26,474	Movement in Pension Liability	47,801
1,411	Carrying amount of non current assets sold	1,949
(932)	Contributions to Other Reserves/Provisions	(1,269)
2,822	Movement in value of investment properties	60,341
162,692		262,525
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(42,097)	Receipt of Capital Grants and Contributions	(44,710)
(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
(29,420)		(30,015)
29,332	Net cash flows from operating activities	75,945

^ 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	(207,375)
53,929	Purchase/(Sale) of short term and long term investments	(4,693)
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	44,709
(203,663)	Net cash flows from investing activities	(166,548)

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	141,790
104,455	Net cash flows from financing activities	121,625

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
70,520	Total cash and cash equivalents	101,542

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
		£'000	£'000	£'000	(Surplus) /Deficit £'000
Provision and Management of Car Parking Facilities	Turnover	(8,397)	(7,869)	(8,154)	
	Expenditure	5,075	4,981	4,077	
	Interest	(124)	(213)	(103)	
	Net (Surplus)/Deficit	(3,446)	(3,101)	(4,180)	(10,727)
Responsible for the management and operation of pay and display parking as well as policing the regime for dealing with decriminalised parking offences. Cumulative surplus over the last three operational financial years: £10.727 million.					
Letting of Industrial, Commercial and Other Properties	Turnover	(9,066)	(11,908)	(14,713)	
	Expenditure	4,681	2,752	8,803	
	Exceptional Items *	(4,651)	2,822	60,341	
	Interest	(660)	(641)	(460)	
	Net (Surplus)/Deficit	(9,696)	(6,975)	53,971	37,300
Provides the management and operation of the Council's portfolio of industrial, commercial and miscellaneous land and property holdings which are in the main available for rent on the open market at commercial rates. Cumulative deficit in the last three financial years: £37.3 million.					
Net (Surplus)/Deficit on Significant Trading Operations		(13,142)	(10,076)	49,791	26,573
Other Trading Operations		2017/18	2018/19	2019/20	Cumulative
		£'000	£'000	£'000	(Surplus) /Deficit £'000
Building and Maintenance	Turnover	(29,401)	(30,264)	(30,915)	
	Expenditure	30,087	31,479	31,706	
	Interest	0	0	0	
	Net (Surplus)/Deficit	686	1,215	791	2,692
Provides a range of services, covering all trades, for emergency response, planned maintenance and improvement of buildings. This includes the Council's housing stock as well as operational buildings. Cumulative deficit over the last three financial years: £2.692 million.					

*The exceptional items relate to revaluations of the property portfolio and reflect conditions in the market at this time – see Note 28 -Property, Plant & Equipment on page 95.

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.

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Net (Surplus)/Deficit on trading operations	(12,456)	(8,576)	50,582
Investment Properties	(9,696)	(6,975)	53,971
Other Investment Income	(2,760)	(1,886)	(3,389)
Net Surplus credited to Financing and Investment Income and Expenditure (note 9)	(12,456)	(8,861)	50,582

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

External Audit Fees	2018/19	2019/20
	£'000	£'000
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
Total	433	445

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 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 £'000		Scottish Teachers Superannuation Scheme £'000	
	2018/19	2019/20	2018/19	2019/20
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
Service cost comprising:				
• current service cost	46,472	51,001	0	0
• administration expenses	546	545	0	0
• past service costs	45	16,508	0	0
• loss from settlements / curtailments	7,700	6,194	0	0
Financing and Investment Income and Expenditure				
• net interest expense	6,854	7,156	746	692
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	61,617	81,404	746	692
<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)	61,831	0	0
• actuarial gains and losses arising on changes in demographic assumptions	0	(95,523)	0	(1,035)
• actuarial gains and losses arising on changes in financial assumptions	60,126	(29,491)	1,057	(681)
• other	0	(5,511)	0	(196)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	55,943	12,710	1,803	(1,220)
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(61,617)	(81,404)	(746)	(692)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	31,783	30,524	0	0
• retirement benefits payable to pensioners	2,406	2,078	1,700	1,693

Pension Assets and Liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme £'000			Includes: Discretionary Benefits Arrangements £'000		
	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)	(1,600,665)	(46,241)	(46,084)	(42,181)
Fair value of plan assets	1,264,781	1,357,938	1,318,108	0	0	0
Sub total	(280,695)	(302,449)	(282,557)	(46,241)	(46,084)	(42,181)
Scottish Teachers Superannuation Scheme	(29,556)	(29,659)	(26,746)	0	0	0
Net liability arising from defined benefit obligation	(310,251)	(332,108)	(309,303)	(46,241)	(46,084)	(42,181)

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £309.303 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:

	Total Assets: Local Government Pension Scheme £'000		Includes: Discretionary Benefits Arrangements £'000	
	2018/19	2019/20	2018/19	2019/20
Opening fair value of scheme assets	1,264,781	1,357,938	0	0
Interest income	32,820	32,471	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	65,800	(61,831)	0	0
• Other	(546)	(545)	0	0
Contributions from employer	34,189	32,602	2,361	2,383
Contributions from employees into the scheme	8,297	8,285	0	0
Benefits paid	(47,403)	(50,812)	(2,361)	(2,383)
Closing fair value of scheme assets	1,357,938	1,318,108	0	0
	Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000			
	2018/19	2019/20		
Opening fair value of scheme assets	0	0		
Contributions from employer	1,700	1,693		
Benefits paid	(1,700)	(1,693)		
Closing fair value of scheme assets	0	0		

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £29.360 million (2018/19, £98.621m).

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

	2018/19	2019/20	2018/19	2019/20
Opening balance at 1 April	(1,545,476)	(1,660,387)	(46,241)	(46,084)
Current service cost	(46,472)	(51,001)	0	0
Interest cost	(39,674)	(39,627)	(1,171)	(1,077)
Contributions from scheme participants	(8,297)	(8,285)	0	0
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	0	95,523	0	1,907
• Actuarial gains/losses arising from changes in financial assumptions	(60,126)	29,491	(1,033)	483
• Other	0	5,511	0	207
Past service cost	(45)	(16,508)	0	0
Losses/(gains) on settlement/curtailment	(7,700)	(6,194)	0	0
Benefits paid	47,403	50,812	2,361	2,383
Closing balance at 31 March	(1,660,387)	(1,600,665)	(46,084)	(42,181)
Interest cost		(746)	(692)	
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions		0	1,035	
• Actuarial gains/losses arising from changes in financial assumptions		(1,057)	681	
• Other		0	196	
Benefits paid		1,700	1,693	
Closing balance at 31 March		(29,659)	(26,746)	

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2018/19 £'000	%	Fair value of scheme assets 2019/20 £'000	%
Cash and cash equivalents	54,996	4.1%	26,191	2.0%
Equity instruments:				
• UK quoted and unquoted	238,184		207,675	
• Global quoted and unquoted	275,118		207,270	
• Global Frontier Fund	0		0	
• Pooled UK & Global	336,905		313,883	
Sub total equity	850,207	62.6%	728,828	55.3%
Bonds:				
• Corporate	16,838		25,527	
• Government	82,019		86,503	
Sub total bonds	98,857	7.3%	112,030	8.5%
Property:				
• UK Direct	99,673		96,294	
• Property funds - Global	0		0	
• Property funds - UK	0		0	
Sub total property	99,673	7.3%	96,294	7.3%
Private equity:				
• European	0		0	
• UK	78,624		111,243	
• Global	16,567		16,219	
Sub total private equity	95,191	7.0%	127,462	9.7%
Other investment funds:				
• Infrastructure	32,455		28,232	
• Diversified Growth Funds	95,191		88,371	
• Other Loan Fund	0		0	
• Multi Asset Credit	31,368		110,700	
Sub total other investment funds	159,014	11.7%	227,303	17.2%
Total assets	1,357,938	100.0%	1,318,108	100.0%

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimated for the North East Scotland Pension Fund on the latest full valuation of the scheme as at 31 March 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	21.5	22.9	21.5
Women	25.0	24.2	25.0	24.2
Longevity at 65 for future pensioners:				
Men	25.8	23.1	-	-
Women	28.1	26.3	-	-
Rate of inflation	2.2%	2.1%	2.3%	2.1%
Rate of increase in salaries	3.7%	3.6%	3.7%	3.6%
Rate of increase in pensions	2.3%	2.2%	2.4%	2.2%
Rate for discounting scheme liabilities	2.4%	2.4%	2.4%	2.4%

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)	43,623
Rate of inflation (increase by 0.1%)	29,937
Rate of increase in salaries (increase by 0.1%)	3,937
Rate for discounting scheme liabilities (increase by 0.1%)	(29,388)

23. Events after the Balance Sheet Date

These are events that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events may be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period; the financial statements are adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Financial Statements are not adjusted to reflect such events, but where this would have a material effect, the nature and estimated financial impact of such events require to be disclosed.

Non -adjusting events that arose after the reporting period

After 31 March 2020 and prior to the audited Annual Accounts being signed on 30th June 2020, the Council received total grant payments of £28.024m from the Scottish Government in respect of Covid-19 payments to be issued to individuals and businesses. These were for business grants £26.9m, self-employed hardship grants £1.1m.

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

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 135 to 153.

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:

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

The minimum lease payment will be payable over the following periods:	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000
Not later than one year	5,000	5,000	396	427
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
	167,116	162,116	58,426	58,029

Operating Leases

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

	Land and Buildings		Electric Vehicles	
	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
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
	5,914	5,523	24	5

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:

	31 March 2019 £'000	31 March 2020 £'000
Not later than one year	750	282
Later than one year and not later than five years	1,462	845
	2,212	1,127

Council as Lessor

Operating Leases

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

	Land and Buildings		Hydrogen Buses	
	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
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
	187,690	185,937	32	0

26. Investment Properties

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

	31 March 2019 £'000	31 March 2020 £'000
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	60,341
Net (gain)/loss	(6,975)	53,971

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:

	2018/19	2019/20
	£'000	£'000
Balance at start of the year	148,592	145,832
Additions	472	0
Disposals	(410)	(1,830)
Net gains/(losses) from fair value adjustments	(2,822)	(60,341)
Transfers:		
• (to)/from Property, Plant and Equipment	0	127,084
Balance at end of the year	145,832	210,745

27. Heritage Assets

I Reconciliation of the Carrying Value of Heritage Assets held

	City Monuments £'000	Maritime & Social History £'000	Numismatics £'000	Science, Technology & Industry £'000	Art Collection £'000	Civic Insignia £'000	Total Assets £'000
Cost or valuation							
At 1 April 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
At 31 March 2019	608	1,669	17	0	195,097	300	197,691
Cost or valuation							
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
At 31 March 2020	608	1,704	17	0	195,190	300	197,819

City Monuments

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

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

All three collections are reported in the Balance Sheet at valuation. The curator of each collection determines the valuation based on current values where possible. Due to their nature there 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, 14th century jugs traded to Aberdeen from Holland, a fine lighthouse lens assembly, the deck house of a steamer and underwater unmanned remotely controlled vehicles are all presented along with hundreds of other fascinating objects from Aberdeen's long association with the sea.

Numismatics

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

Science, technology and industry

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

Fine Art Collection

The collection consists of over 14,000 items including paintings, sculptures and other media which are of local, national and international significance. The major strengths of the collections range from the period c.1850 to present day, with particularly rich holdings of the 19th and 20th century Scottish art, early 20th century English art and a growing collection of challenging international art of the 21st century. Artists' portraits and self-portraits form one important collection area as does the unrivalled holding of work by James McBey. The collection also has particularly significant items in terms of both 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 16th century.

Archaeology

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

Library & Information Services

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

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

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

Preservation and Management

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

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
Cost or Valuation									
At 1 April 2018	977,883	923,720	60,924	275,776	28,235	11,698	280,528	2,558,764	178,906
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
At 31 March 2019	997,883	911,118	62,209	350,346	29,773	5,228	361,805	2,718,362	213,006
Accumulated Depreciation and Impairment									
At 1 April 2018	(56,853)	(54,678)	(32,786)	(103,123)	0	0	0	(247,440)	(9,244)
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
At 31 March 2019	(86,845)	(44,070)	(38,340)	(110,221)	0	0	0	(279,476)	(12,326)
Net Book Value									
At 31 March 2019	911,038	867,048	23,869	240,125	29,773	5,228	361,805	2,438,886	200,680
At 31 March 2018	921,030	869,042	28,138	172,653	28,235	11,698	280,528	2,311,324	169,662

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
Cost or Valuation									
At 1 April 2019	997,883	911,118	62,209	350,346	29,773	5,228	361,805	2,718,362	213,016
Additions	50,527	9,635	10,781	19,604	520	103	116,190	207,360	524
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)	(39,497)	0	0	0	(1,278)	0	(72,922)	(14,112)
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	3,655	293,503	0	0	0	5,519	(424,180)	(121,503)	0
At 31 March 2020	1,018,865	1,177,521	70,599	369,950	30,293	8,807	53,815	2,729,850	192,607
Accumulated Depreciation and Impairment									
At 1 April 2019	(86,845)	(44,070)	(38,340)	(110,221)	0	0	0	(279,476)	(12,326)
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	2,383	0	0	0	0	2,383	0
Derecognition – Other	0	0	0	0	0	0	0	0	0
Reclassifications and Transfers	0	253	0	0	0	0	0	253	0
At 31 March 2020	(118,745)	(39,870)	(43,465)	(121,821)	0	0	0	(323,901)	(591)
Net Book Value									
At 31 March 2020	900,120	1,137,651	27,134	248,129	30,293	8,807	53,815	2,405,949	192,016
At 31 March 2019	911,038	867,048	23,869	240,125	29,773	5,228	361,805	2,438,886	200,690

Valuations

The Events Complex Aberdeen opened this year with several buildings on site. The classification and method of valuation is detailed below:

- P&J Live/Event Complex – Has been classified as an Operational Asset, as the project brought regeneration to the area of Aberdeen and its surroundings, and therefore this asset is not solely held to generate income for the Council. In view of the size of the event complex and its location, taking account of available population within an hour's drive which is circa 500,000, our valuers are satisfied that the subjects are specialised and they have adopted the DRC approach to the valuation.
- Hotels (Hilton & Aloft) – Both have been classified as Investment Properties, as they are both held solely for income generation purposes. Both have been valued at market value.
- Development Plots – classified as Investment Properties, as held for capital appreciation. The plots have been valued at market value.
- Energy Centre – classified as an Investment Property, as held for income generation. This has been valued at cost in the accounts, as insufficient information exists to arrive at a market valuation for this asset at this time.

The Council commissioned a valuation for 31 March 2020 which was performed in November 2019. The Council asked its valuer to consider whether there were any material changes in valuation between November 2019 and March 2020, including consideration of the impact of Covid-19. In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'

The valuation report has been used to inform the measurement of non-current assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2020 and can be relied upon. The valuation report has indicated the range of uncertainty attached to the valuation of the different types of assets including office, retail, industrial and ground leases within the Investment portfolio ranges from 4.8% - 8.15%. Reflecting these movements on the basis of the higher end of the range would provide a 2% change in valuation which is expected to have a £14.15m impact on the Statement of Financial Position.

Of the £758,943,050 net book value of land and buildings subject to valuation £461,214,944 relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to the Council of replacing the service potential of the assets; the uncertainty relates to the estimated costs of, rather than the extent of, service potential to be replaced. Covid-19 may also have a further impact of the value of assets subsequent to the balance sheet date. There is to date, limited market evidence to indicate the impact on particular categories of non-current asset.

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 in 2019/20 and future years. The major commitments amounting to £1 million or more are detailed below with equivalent figures provided for 31 March 2019.

Major Capital Contractual Commitments	As at 31 March 2019 £'000	As at 31 March 2020 £'000
Aberdeen Western Peripheral Route (main contract awarded December 2012)	20,013	14,443
Art Gallery Redevelopment (contract awarded May 2015)	4,500	0
TECA (all main contracts awarded 31/03/19)	64,405	3,500
Union Terrace Gardens redevelopment (contract signed July 2019)	0	19,556
Energy from Waste (contract signed August 2019)	0	51,477
Early Learning & Childcare Expansion (main contractor appointed September 2019)	0	19,405
	88,918	108,381

Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	54,406	(78,789)	68,484	191,110	21,359	18,576	16,161	291,307
Valued at fair value as at:								
31 March 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
Total cost or valuation	1,813,602	2,151,905	68,484	191,110	21,359	79,637	16,161	4,342,258

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

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.

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

	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
Opening Capital Financing Requirement	228,168	802,002	1,030,170 *	242,854	972,074	1,214,928
<i>Capital investment</i>						
Property, Plant and Equipment	38,615	217,823	256,438	51,466	155,893	207,359
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)	(43,226)	(44,709)
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)
Closing Capital Financing Requirement	242,854	972,074	1,214,928	261,159	1,077,135	1,338,294
<i>Explanation of movements in year</i>						
Increase/(Decrease) in underlying need to borrow	14,686	135,021	149,707	18,305	109,688	127,993
Assets acquired under PFI/PPP contracts	0	35,051	35,051	0	(4,627)	(4,627)
Increase/(decrease) in Capital Financing Requirement	14,686	170,072	184,758	18,305	105,061	123,366

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 £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'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
Total	155,199	94,754	99,108	349,061	21,520	43,469	30,044	95,033

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 £'000	2019/20 £'000
Balance outstanding at start of year	100,973	142,453
Additions during year	45,650	0
Payments during year	(4,170)	(4,230)
Balance outstanding at end of year	142,453	138,223

31. Assets Held for Sale

	2018/19 £'000	2019/20 £'000
Balance outstanding at start of year	6,198	5,693
Assets newly classified as held for sale:		
Property, Plant and Equipment	6	2
Revaluation gains and (losses)	(130)	0
Reclassifications and transfers	(165)	(5,584)
Assets sold	(216)	(111)
Balance outstanding at end of year	5,693	0

32. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work In Progress		Property Acquired or Constructed for Sale		Total	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Balance outstanding at start of year	1,137	1,832	12	0	25	0	1,174	1,832
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)
Balance outstanding at end of year	1,832	2,320	0	(303)	0	0	1,832	2,017

33. Short Term Debtors

	31 March 2019	31 March 2020
	£'000	£'000
Central government bodies	25,120	20,482
Other local authorities	3,161	6,083
NHS bodies	3,702	864
Public corporations and trading funds	2,935	65
Other entities and individuals	117,189	138,355
Gross Total	152,107	165,849
Deduct: Provision for Impairment	(59,949)	(68,868)
Net Total	92,158	96,981

34. Short Term Creditors

	31 March 2019	31 March 2020
	£'000	£'000
Central government bodies	(28,261)	(18,301)
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)	(77,420)
Total	(80,860)	(98,835)

35. Provisions

	Note 1	Note 2	Note 3	Note 4	
	Compensation Payments - Voluntary Severance/Early Retirement and Equal Pay £'000	Property - Asset Management £'000	Housing Benefit Subsidy £'000	Other £'000	Total £'000
2018/19					
Balance at 1 April 2019	(3,407)	(551)	(100)	(1,752)	(5,810)
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
Balance at 31 March 2020	(1,097)	(613)	(100)	(1,056)	(2,866)
<i>Represented by:</i>					
Current provisions	(1,097)	0	(100)	(1,056)	(2,253)
Long term provisions	0	(613)	0	0	(613)

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. The financial effect and timing cannot be disclosed as it is not practicable to do so.

Contingent Liabilities

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

At 31 March 2020 the Council had material contingent liabilities as undernoted. An estimate of the contingent liability has been provided where it is practicable to do so.

- **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
Credited to Taxation and Non Specific Grant Income		
Total revenue Funding Grant	325,560	334,270
	325,560	334,270
Credited to Services		
Department of Work and Pensions		
Housing Benefit Grant	55,580	48,426
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	201
Severe Weather Funding	589	-
Other	1,243 *	627
European Funding		
Civitas	355	594
Hydrogen Bus Project	980	813
Other	106	21
Home Office		
Syrian Refugee Resettlement Programme	442	128
Other	45	41
Sport Scotland	367	397
Creative Scotland	225	251
Transport Scotland		
Western Peripheral Route Works	12,918 **	109,020
Paths for All	300	60
Other	913 ***	484
Total	125,316	225,649

* 2018/19 'Scottish Government Other' has been restated 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 amount previously allocated to Other Local Authorities.

*** 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 £000	2019/20 £000
Revenue Grants - Receipts in Advance		
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
Total	2,989	712
Capital Grant - Receipts in Advance		
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
Total	13,091	25,529

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 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
Investments				
Loans and receivables	0	0	45,213	50,454
Interest in group entities	17,638	17,090	0	0
Total investments	17,638	17,090	45,213	50,454
Debtors				
Loans and receivables	7,592	7,539	0	0
Financial assets carried at contract amount	0	0	92,158	94,760
Total debtors	7,592	7,539	92,158	94,760
Borrowings				
Financial liabilities at amortised cost	(895,954)	(1,026,809)	(197,228)	(208,162)
Total borrowings	(895,954)	(1,026,809)	(197,228)	(208,162)
Other Long term Liabilities				
PPP liabilities	(138,223)	(142,453)	(4,230)	(4,710)
Total other long term liabilities	(138,223)	(142,453)	(4,230)	(4,710)
Creditors				
Financial liabilities carried at contract amount	(13)	0	(80,860)	(95,301)
Total creditors	(13)	0	(80,860)	(95,301)

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 £'000	Loans and receivables £'000	£'000	Measured at amortised cost £'000	Loans and receivables £'000	£'000
Interest expense	(50,292)	0	(50,292)	(54,738)	0	(54,738)
Total expense in Surplus or (Deficit) on the Provision of Services	(50,292)	0	(50,292)	(54,738)	0	(54,738)
Interest income	0	1,432	1,432	0	3,513	3,513
Total income in Surplus or (Deficit) on the Provision of Services	0	1,432	1,432	0	3,513	3,513
Net Interest	(50,292)	1,432	(48,860)	(54,738)	3,513	(51,225)

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
Loans and Receivables								
Interest in Group Entity	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 £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value (Premature Repayment) £'000	Fair Value (New Loan Rates) £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value (Premature Repayment) £'000	Fair Value (New Loan Rates) £'000
PWLB – maturity	(365,434)	(6,211)	(371,645)	(691,580)	(567,854)	(485,434)	(6,717)	(492,150)	(1,007,090)	(640,930)
LOBOs	(93,893)	(701)	(94,594)	(185,749)	(148,146)	(93,893)	(708)	(94,601)	(226,652)	(140,990)
Bond Issuance	(370,000)	0	(370,000)	(436,897)	(482,814)	(363,140)	0	(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	7,425	8,882	0	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements	0	0	10,000	0	0	0	0	5,000	0	0
Financial Instrument Adjustments	0	0	(4,319)	0	0	0	0	(2,618)	0	0
Total Long Term Borrowing	(901,635)	0	(895,954)	(1,386,534)	(1,271,122)	(1,029,192)	0	(1,026,809)	(1,750,448)	(1,316,492)
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	(7,389)	(7,389)	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
Total Short Term Borrowing	(180,126)	(7,101)	(197,227)	(180,350)	(180,350)	(195,455)	(7,707)	(208,162)	(195,773)	(195,773)

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 £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000	Principal Outstanding £'000	Accrued Interest £'000	Carrying Amount £'000	Fair Value £'000
Deposits with banks/building societies	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:

Credit Risk A					
Estimated maximum exposure at 31 March 2019 £'000		Amount at 31 March 2020 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2020 %	Estimated maximum exposure to default and uncollectability at 31 March 2020 £'000
		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
3,246					4,881

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:

Credit Risk B	31 March 2019 £'000	31 March 2020 £'000
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
	31,119	46,801

Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

	31 March 2019	31 March 2020
	£'000	£'000
Less than one year	201,553	221,198
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
	1,020,880	1,148,156

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:

	£'000
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	(591)
Share of overall impact debited to the HRA	(117)
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)	201,579
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 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'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
Total	617,706	618,742	618,816	616,305	615,272	627,533	746,912	869,978	1,019,685	1,146,594

Loans Fund Revenue Account			Loans Fund Balance Sheet as at 31 March		
2018/19 £'000		2019/20 £'000	2019 £'000		2020 £'000
	Expenditure			Assets	
36,364	Interest paid to External Bodies	39,657		Advances to:	
612	Interest paid to Other Council Accounts	629	1,019,685	Aberdeen City Council for Capital Expenditure	1,146,594
149	General Expenses	242	2	Other Bodies	2
37,125		40,528	12,820	Rescheduled Premiums	12,422
	Income		1,032,507		1,159,018
	Interest & Expenses charged to Aberdeen City Council			Current Assets	
(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
(37,125)		(40,528)		Less: Current Liabilities	
			67,375	Temporary Advances from Council Services	83,961
			7,102	Sundry Creditors	7,771
			74,477		91,732
			1,056,595	Net Assets	1,198,524
				Financed by:	
			(365,434)	Public Works Loan Board	(485,434)
			(93,893)	Market Loans	(93,893)
			(370,000)	Negotiable Bonds	(363,140)
			(40,879)	Bond Premium	(39,383)
			(31,431)	Bond EIR	(47,342)
			(2)	Stock Issue & Gas Annuities	(2)
			(154,956)	Temporary Loans	(169,330)
			(1,056,595)		(1,198,524)

Jonathan Belford, CPFA
Chief Officer - Finance
30 June 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

2018/19 £'000		2019/20	
		£'000	£'000
	Income		
(83,074)	Dwelling Rents	(86,785)	
(3,211)	Non dwelling Rents	(2,200)	
(2,127)	Other Income	(2,127)	
(88,412)			(91,112)
	Expenditure		
769	Staff Costs	807	
769			807
	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	
39,925			36,730
	Administration Costs:		
7,954	Management and Administration	8,703	
834	Other costs	690	
8,788			9,393
	Supplies and Services:		
3,923	Communal Lighting and Heating, etc.	3,609	
280	Information Technology	180	
184	Other Costs	131	
4,387			3,920

2018/19 £'000		2019/20	
		£'000	£'000
	Agencies:		
200	Contributions	156	
0	Supporting People Contribution	0	
658	Tenant's Participation/Helplines	572	
858			728
	Capital Charges:		
30,160	Depreciation	31,900	
24,015	Impairment of Non Current Assets	32,147	
54,175			64,047
108,911	Gross Expenditure		115,626
	Net Cost of HRA Services per Council's Comprehensive Income and Expenditure Statement		
20,490			24,513
137	Corporate and Democratic Core	163	
			163
20,627	Net Cost of HRA Services		24,676
(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)	
23,138	(Surplus)/deficit for the year on HRA Services		31,152

Movement on the Housing Revenue Account Statement

2018/19 £'000		2019/20 £'000
0	Transfer to/(from) the General Fund	0
0	Total	0

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

2018/19 £'000		2019/20 £'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
(30,901)		(31,652)

2. Transfers (to) or from Reserves

2018/19 £'000		Notes	2019/20 £'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)
(12,296)	Balance on the HRA at end of Year		(12,796)

3. Housing Stock

stock at 31 March 2020 was 22,404 (21,974 at 31 March 2019) in the following categories:

The Council's housing

2018/19 Number		2019/20 Number
	Type of Property	
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
21,759	Sub Total	22,338
215	Properties off the charge	66
21,974	HRA Total	22,404
	Other Assets	
1	Hostel	1
241	Garages Sites	241
2,035	Lock Up Garages	2,029
911	Parking Spaces	911
17	Travelling Peoples Sites	17
3,205		3,199

4. Rent Arrears

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

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.

2018/19		2019/20	
£'000		£'000	£'000
(300,618)	Gross Rates Levied and Contributions in Lieu		(302,774)
	<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
(248,860)	Net Non Domestic Rate Income		(247,234)
2,031	Adjustment to previous years' National Non Domestic Rates		4,391
(246,829)	Contribution to Non Domestic Rate Pool		(242,843)
(227,801)	Distribution from Non Domestic Rate Pool		(258,560)
	<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
(227,801)	Income credited to the Comprehensive Income and Expenditure Statement *		(262,344)

* 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.

Category	Number of Subjects	Rateable Value at 1 April 2020 £'000
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	19,524
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	2,428
Total Non Domestic Rates Subjects	9,919	597,911

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

2018/19		2019/20
£'000		£'000
(153,679)	Gross Assessments	(162,474)
(727)	Net band adjustments	(1,149)
(154,406)	Council Tax Collectable	(163,623)
	<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
(113,871)		(120,282)
	<i>Add:</i>	
(1,063)	Statutory Additions	(1,139)
(1,608)	Prior Year Adjustments	(1,420)
26	Write Ons	24
(116,516)	Net Council Tax income for the year transferred to General Fund	(122,817)

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
							Total	100,355
							Band D Equivalent Council Tax Reduction	(9,950)
							Contributions in Lieu	12
							Provision for Bad Debts (2.4%)	(2,509)
							Council Tax Base	87,908

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

Comprehensive Income and Expenditure Statement

2018/19 Net (Income) Expenditure £'000		2019/20		
		Gross Expenditure £'000	Gross Income £'000	Net (Income) Expenditure £'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
2,881	Cost Of Services	5,492	0	5,492
	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
(800)	(Surplus) or Deficit on Provision of Services			2,208
(5,363)	(Surplus) or Deficit on revaluation of investment property			(5,810)
(6,163)	Total Comprehensive Income and Expenditure			(3,602)

Balance Sheet

31 March 2019			31 March 2020
£'000			£'000
90,818	Investment Property		93,850
90,818	Long Term Assets		93,850
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
30,110	Current Assets		30,785
(381)	Short Term Creditors		(486)
(381)	Current Liabilities		(486)
120,547	Net Assets		124,149
(120,479)	Common Good Fund		(124,081)
(68)	Reserve Fund		(68)
(120,547)	Total Reserves		(124,149)

Jonathan Belford, CPFA
Chief Officer - Finance

30 June 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).

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 as at 31 March 2019 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000	Balance as at 31 March 2020 £'000
Charity						
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)
Total - Charitable Trusts	(7,308)	0	314	(290)	302	(6,983)
Non Charity						
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)
Total - Non Charitable Trusts	(3,280)	0	80	(123)	119	(3,204)
Total	(10,588)	0	394	(413)	421	(10,187)

Investment of Funds

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

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30 June 2020

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Group Accounts

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

Group Movement in Reserves Statement

	Total Usable Reserves (Page 53) £'000	Total Unusable Reserves (Note 12) £'000	Total Council Reserves £'000	Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000	Total Reserves £'000
Balance at 31 March 2018	(65,965)	(1,317,925)	(1,383,890)	(113,759)	(1,497,649)
					0
Movement in Reserves during 2018/19	103,940	(8,962)	94,978	(1,142)	93,836
Adjustments between accounting basis & funding basis under regulations	(96,709)	96,709	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	7,231	87,747	94,978	(1,142)	93,836
Transfers to/from Earmarked Reserves & Statutory Reserves	64	(64)	0	0	0
Increase/Decrease in Year	7,295	87,683	94,978	(1,142)	93,836
Balance at 31 March 2019 carried forward	(58,670)	(1,230,242)	(1,288,911)	(114,901)	(1,403,812)
Movement in Reserves during 2019/20	156,565	(83,619)	72,946	3,214	76,159
Adjustments between accounting basis & funding basis under regulations	(156,215)	156,215	0		0
Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves	350	72,596	72,946	3,214	76,159
Transfers to/from Earmarked Reserves & Statutory Reserves	(1,642)	1,642	0	0	0
Increase/Decrease in Year	(1,292)	74,238	72,946	3,214	76,159
Balance at 31 March 2020	(59,962)	(1,156,004)	(1,215,965)	(111,687)	(1,327,654)

Group Comprehensive Income and Expenditure Statement

2018/19			2019/20		
Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
		Continued Operation			
(39,645)	283,868	Operations	342,655	(57,682)	284,973
(68,634)	37,426	Customer	101,595	(63,805)	37,791
(2,520)	30,010	Commissioning	13,805	(5,004)	8,800
(41,115)	11,799	Resources	217,276	(182,212)	35,064
(7,301)	23,997	Place	34,152	(9,547)	24,606
(1,388)	2,363	Governance	5,613	(2,309)	3,304
(140,291)	86,434	Integration Joint Board	236,584	(145,172)	91,412
7,145	43,256	Corporate	43,706	(821)	42,885
(96,162)	20,628	Housing Revenue Account	125,166	(100,460)	24,707
(389,910)	539,780	Cost of Services	1,120,552	(567,011)	553,540
(72)	(72)	Other Operating Expenditure	1,137	0	1,137
(50,559)	47,409	Financing and Investment Income and Expenditure	164,399	(54,323)	110,077
(480,930)	(480,930)	Taxation and Non Specific Grant Income	0	(501,797)	(501,797)
(921,471)	106,189	(Surplus) or Deficit on Provision of Services	1,286,089	(1,123,131)	162,958
	2,122	Share of (surplus) or deficit on the provision of services of Associates and JV			2,259
	108,311	Group (Surplus)/Deficit			165,217
	(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			(69,462)
	5,059	Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			(1,020)
	(354)	Other (gains)/losses			(1,882)
	(14,474)	Other Comprehensive Income and Expenditure			(89,058)
	93,836	Total Comprehensive Income and Expenditure			76,159

Group Balance Sheet

31 March 2019		31 March 2020
£000		£000
2,440,453	Property ,Plant and Equipment (note xi)	2,407,905
239,246	Investment Property (note xii)	306,782
31,350	Long Term Investments and/or Investments in Associates and Joint Ventures	28,782
197,691	Heritage Assets	197,819
7,542	Long Term Debtors	7,540
2,916,284	Long Term Assets	2,948,828
45,213	Short Term Investments	50,454
2,244	Inventories	2,446
89,888	Short Term Debtors	94,455
74,214	Cash and Cash Equivalents	106,810
6,054	Assets held for Sale	361
217,613	Current Assets	254,526
(171,553)	Short Term Borrowing	(183,900)
(83,792)	Short Term Creditors	(100,436)
(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)
(286,588)	Current Liabilities	(322,039)

Group Balance Sheet

31 March 2019 £'000		31 March 2020 £'000
(13)	Long Term Creditors	0
(551)	Provisions	(613)
(895,954)	Long Term Borrowing	(1,026,809)
(1,627)	Liabilities in Associates and Joint Ventures	(1,377)
(138,223)	PPP Long Term Liabilities	(135,202)
(58,029)	Other Long Term Liabilities	(57,602)
(349,100)	Pension Liabilities	(332,056)
(1,443,497)	Long Term Liabilities	1,327,654
1,403,812	Net Assets	1,327,654
(58,669)	Usable Reserves	(59,962)
(1,230,242)	Unusable Reserves	(1,156,004)
2,314	Group - Usable Reserves	6,361
(117,215)	Group - Unusable Reserves	(118,049)
(1,403,812)	Total Reserves	(1,327,654)

Jonathan Belford, CPFA
Chief Officer - Finance
30 June 2020

Group Cash Flow

31 March 2019		31 March 2020
£000		£000
(108,311)	Net surplus or (deficit) on the provision of services	(165,217)
165,092	Adjust net surplus or deficit on the provision of services for non cash movements	273,313
(43,161)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(45,521)
13,620	Net cash flows from Operating Activities (note 13)	62,574
(119,847)	Net cash flows from Investing Activities (note 14)	(167,109)
118,195	Net Cash flows from Financing Activities (note 15)	137,131
11,968	Net increase or (decrease) in cash and cash equivalents	32,596
62,245	Cash and Cash equivalent at the beginning of the reporting period	74,214
74,214	Cash and Cash equivalent at the end of the reporting period	106,810

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.

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 £34.2 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 £332 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 £112 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 %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
Subsidiaries					
Aberdeen Exhibition and Conference Centre	100	100	361	0	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	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	(15,609)	(4,292)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Support Services Limited	100	100	(1,173)	(287)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Joint Ventures					
Aberdeen Sports Village Limited	50	50	34,180	(1,095)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Intregation Joint Board	50	50	2,602	(2,977)	50 Frederick Street, Aberdeen, AB24 5HY

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 2020, AH&P Ltd made a profit of £606,112 (2018/19, £490,594 profit) and the net assets of the company were £4,244,995 (2018/19, £3,638,883). Turnover was £4,461,502 (2018/19, £3,988,769). 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%.

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

2018/19 £'000		2019/20 £'000
50,088	Interest payable and similar charges	53,683
7,617	Pensions interest cost and expected return on pensions assets	7,847
(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	53,972
(1,886)	Other investment income	(3,390)
47,409	Total	110,077

Note vii Cash Flow Statement – Group Operating Activities

2018/19 £'000		2019/20 £'000
(108,311)	* Net surplus or (deficit) on the provision of services	(165,218)
(108,311)	*	(165,218)
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
71,918	Depreciation	73,985
65,976	Impairment, downward revaluations & non sale derecognitions	56,222
(426)	(Increase)/Decrease in Stock	(202)
(22,003)	(Increase)/Decrease in Debtors	(442)
18,847	Increase/(Decrease) in Creditors	29,456
26,474	Payments to Pension fund	47,801
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	(1,269)
2,822	Movement in value of investment properties	60,341
1,004	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	5,472
165,092		273,314
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
(42,097)	Receipt of Capital Grants and Contributions	(44,710)
(1,063)	Proceeds from the sale of PP&E, investment property and intangible assets	(811)
	Bond EIR adjustment	
(43,160)		(45,521)
13,621	Net cash flows from operating activities	62,575

Note viii Cash Flow Statement – Group Investing Activities

2018/19 £'000		2019/20 £'000
(216,936)	Purchase of property, plant and equipment, investment property and intangible assets	(207,924)
53,929	Purchase/(Sale) of short term and long term investments	(4,693)
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	44,710
(119,846)	Net cash flows from investing activities	(167,108)

Note ix Cash Flow Statement – Group Financing Activities

2018/19 £'000		2019/20 £'000
(32)	Other receipts from financing activities	(32)
122,764	Repayments of short term and long term borrowing	141,789
	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)
118,195	Net cash flows from Financing activities	137,130

Note x Cash Flow Statement – Group Cash and Cash Equivalents

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

31 March 2019 £'000		31 March 2020 £'000
39	Cash held by officers	38
74,175	Bank current accounts	106,772
74,214	Total cash and cash equivalents	106,810

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

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	PP Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2018	977,884	924,978	61,303	275,776	28,235	11,697	280,528	2,560,400	178,906
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
At 31 March 2019	997,885	912,609	62,627	350,346	29,773	5,227	361,801	2,720,267	213,006
Accumulated Depreciation and Impairment									
At 1 April 2018	(56,852)	(54,784)	(33,046)	(103,125)	0	0	0	(247,807)	(9,244)
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
At 31 March 2019	(86,846)	(44,231)	(38,513)	(110,224)	0	0	0	(279,814)	(12,326)
Net Book Value									
At 31 March 2019	911,039	868,378	24,114	240,122	29,773	5,227	361,801	2,440,453	200,680
At 31 March 2018	921,032	870,194	28,257	172,651	28,235	11,697	280,528	2,312,593	169,662

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
Cost or Valuation									
At 1 April 2019	997,885	912,609	62,627	350,346	29,773	5,227	361,801	2,720,267	213,016
Additions	50,527	10,184	10,781	19,604	520	103	116,190	207,908	365
Revaluations	(33,201)	(36,735)	0	0	0	(2,042)	0	(71,978)	(20,775)
Derecognition / Disposals	0	0	(2,391)	0	0	0	0	(2,391)	0
Transfers	3,656	293,503	0	0	0	5,519	(424,178)	(121,500)	0
At 31 March 2020	1,018,867	1,179,561	71,017	369,950	30,293	8,807	53,813	2,732,306	192,606
Accumulated Depreciation and Impairment									
At 1 April 2019	(86,846)	(44,231)	(38,513)	(110,224)	0	0	0	(279,814)	(12,326)
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
At 31 March 2020	(118,746)	(40,105)	(43,727)	(121,824)	0	0	0	(324,402)	(591)
Net Book Value									
At 31 March 2020	900,121	1,139,456	27,290	248,126	30,293	8,807	53,813	2,407,905	192,015
At 31 March 2019	911,039	868,378	24,114	240,122	29,773	5,227	361,801	2,440,453	200,690

Note xii Investment Properties

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

	2018/19	2019/20
	£'000	£'000
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)
Net (gain)/loss	(3,446)	(2,940)

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

	2018/19	2019/20
	£'000	£'000
Balance at start of the year	237,203	239,246
Additions:		
• Purchases	472	0
Disposals	(409)	(1,830)
Net gains/losses from fair value adjustments	1,966	(57,718)
Transfers:		
• to/from Inventories	0	127,084
• to/from Property, Plant and Equipment	14	0
Balance at end of the year	239,246	306,782

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

	Loans		Debtors		Creditors	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'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	
	(26,195)	(27,381)	5,422	7,190	(3,701)	(3,439)

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 (surplus)/deficit £'000	Share of Total Assets £'000	Share of Total Liabilities £'000	Share of Net Assets /Liabilities £'000
Associates				
Grampian Valuation Joint Board	191	549	(1,963)	(1,414)
Associates Total	191	549	(1,963)	(1,414)
Joint Venture				
Aberdeen Sports Village Limited	416	23,194	(5,556)	17,638
Integration Joint Board	1,364	4,074	(1,285)	2,789
Joint Ventures Total	1,780	27,268	(6,841)	20,427
2019/20				
	Share of Operating (surplus)/deficit £'000	Total Assets £'000	Total Liabilities £'000	Net Assets /Liabilities £'000
Associates				
Grampian Valuation Joint Board	223	554	(2,153)	(1,931)
Associates Total	223	554	(2,153)	(1,931)
Joint Venture				
Aberdeen Sports Village Limited	548	22,917	(1,265)	21,652
Integration Joint Board	1,490	1,314	(13)	1,301
Joint Ventures Total	2,038	24,231	(1,278)	22,953

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 surplus of £56,000 while BAC realised a surplus of £946,000.

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

	2018/19		2019/20
	£000		£000
Grampian Valuation Joint Board	37		45

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'.

	2018/19	2019/20
	£'000	£'000
ACC	(332,108)	(332,056)
<u>Share of Associates</u>		
Grampian Valuation Joint Board	(1,959)	(1,737)
Total	(334,067)	(333,793)

Independent Auditors Report – To be Updated

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

Annual Report and Financial Statements

For the year ended
31 March 2020

Registered Numbers:

Gildry & 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 - (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 - (appointed 04/10/2019)	Councillor Ciaran McRae
Councillor Stephen Delaney	Councillor Jessica Mennie - (appointed 04/10/2019)
Councillor Alan Donnelly	Councillor Alex Nicol
Councillor Jackie Dunbar	Councillor Audrey Nicol - (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 - (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 - (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

Charity Name	Charity Number	Purpose	Governing Document
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 Funds 2019/20 £'000	Restricted Funds 2019/20 £'000	Endowment Funds 2019/20 £'000	Total Funds 2019/20 £'000	Total Funds 2018/19 £'000
	<u>Note</u>					
Income and endowments from:						
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>
Expenditure on:						
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
Other recognised gains/(losses):						
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>
Reconciliation of funds						
Total funds brought forward		8,003	-	121	8,124	8,145
Total funds carried forward		<u>7,590</u>	<u>-</u>	<u>122</u>	<u>7,712</u>	<u>8,124</u>

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

	<u>Note</u>	2020 £'000	2019 £'000
Fixed assets			
Investments	5	4,197	4,602
Total fixed assets		4,197	4,602
Current assets			
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
Total current assets		3,690	3,693
Liabilities			
Creditors: Amounts falling due within one year	8	(174)	(171)
		(174)	(171)
Net current assets/(liabilities)		3,515	3,522
Net asset/(liabilities)		7,712	8,124
The funds of the charity			
Endowment funds		125	122
Restricted income funds		-	-
		125	122
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
Total unrestricted funds		7,587	8,002
Total charity funds	9	7,712	8,124

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

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

	2020	2019
	£'000	£'000
2 INVESTMENT INCOME		
Interest receivable	36	56
Rent from Investment Properties	244	171
Share of lands free revenue	-	-
	<u>280</u>	<u>227</u>
3 CHARITABLE ACTIVITIES		
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>241</u>	<u>188</u>
4 GOVERNANCE COSTS		
Accounting and administration	41	27
Audit Fee	7	9
	<u>49</u>	<u>36</u>

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

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

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

Lands of Skene is a charity which owns an area of land known as the Lands of Skene. The Guildry Fund, Common Good Fund and Bridge of Don Fund each invested financially in the Lands of Skene and as a result are entitled to recognise a share of the total assets less current liabilities of this charity, being calculated in proportion to the initial amount invested by each, as an investment on their respective Balance Sheets.

6 DEBTORS		
Prepayments & accrued income	<u>53</u>	<u>48</u>
7 INVESTMENTS HELD AS CURRENT ASSETS		
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.

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

9 ANALYSIS OF NET ASSETS IN FUNDS	Tangible fixed assets	Current assets (liabilities)	Total	Total
	£'000	£'000	£'000	£'000
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 £'000	2019 £'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)
Total		(10,934)	-	559	(286)	296	(10,365)

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)
Total		(8,124)	-	403	(281)	290	(7,712)

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 £'000
		Gilts £'000	Equities £'000	Investments £'000	Heritable Property £'000	Stock £'000	Investment Aberdeen City Council		Cash at		Creditors £'000	Provision £'000	
							Loans	Fund £'000	Bank £'000	Debtors £'000			
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
Total		7	92	2,636	4,097	1	3,253	400	52	(24)	(150)	(150)	10,365

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 £'000
		Gilts £'000	Equities £'000	Investments £'000	Heritable Property £'000	Stock £'000	Investment Aberdeen City Council		Cash at		Creditors £'000	Provision £'000	
							Loans	Fund £'000	Bank £'000	Debtors £'000			
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
Total		7	92	-	4,097	1	3,237	400	52	(24)	(150)	(150)	7,712

ABERDEEN CITY COUNCIL – URGENT BUSINESS COMMITTEE

Item 7.4 Financial Resilience Recovery Plan - Update

- 1.1 The Committee has before it a report on the financial resilience recovery plan. This report was written based on the information available prior to publication of reports on the 23rd June 2020 and emphasises the uncertainty of our current and future circumstances. It attempts to describe the many unknown factors that we are finding change on a regular and sometimes daily basis.
- 1.2 This report aims to bring the latest information to the Committee's attention,
- 1.3 In this update there is additional information on:
 - Education;
 - Discretionary Housing Payments; and
 - Connecting Scotland – Rollout of digital devices to school pupils.

Education

- 1.4 The Financial Resilience Recovery Plan report was written ahead of the announcement on the 23 June 2020, by the Depute First Minister, that preparations should now be made to enable school children to return to school full time from 11 August 2020.
- 1.5 In the Depute First Minister statement to Parliament he said “If we stay on track, if we all continue to do what is right, and if we can further suppress this terrible virus, the Government believes that we should prepare for children to be able to return to school full time in August.”
- 1.6 He continued, with the planning assumption, that “I must stress, this is the aim that the Government is now working towards. However, because it has to be achieved safely, it inevitably remains conditional and dependent upon ongoing scientific and health advice.” A final decision on the model to be used to reopen school buildings is anticipated in July.
- 1.7 In addition, the cabinet secretary also stated that there should be a short term focus on teacher recruitment and probation teachers in order to help with the return and recovery of schools. That focus would be “We will now work with local authorities with the objective of ensuring that every probationer teacher who has reached the standard for full registration is able to secure a teaching post for the next school year.” And “...encourage retired teachers and those who are not currently teaching back into the profession wherever this proves necessary.”
- 1.8 The report [RES/20/101] was written to take account of the physical distancing requirements for schools, as set out in the Scottish Governments document on “*A Strategic framework for reopening schools, early learning and childcare provision in Scotland*” *Reflecting the requirements of the strategic framework and further detailed guidance which was issued, colleagues set out our plans for the expected hybrid model within our*

corporate Local Delivery Phasing Plan as well as within individualised school plans.

1.9 The cost associated with the reopening of schools on this hybrid model are assessed to be potentially significant, with costs likely in the areas of cleaning and protective equipment, transport as well as ongoing emergency childcare and increased services to support children's mental health and wellbeing. Early indications of associated costs are in the region of £5m.

1.10 The announcement fundamentally changes the approach to the re-opening of schools but is heavily dependent on triggers connected to the sustained suppression of COVID-19.

1.11 The EIS has responded to the announcement by saying:

"Clearly, if the suppression of the virus continues to be successful, public health guidance may change and this will impact on schools as well as every other aspect of society.

It would be a grave mistake, however, to believe that the virus has gone away and therefore in the event of schools reopening more fully than currently planned, appropriate mitigations must be in place to protect staff and pupils and prevent flare-ups either in terms of localised resurgence in infection or even a full second wave.

In terms of schools, this means looking at measures already being used elsewhere such as mandatory face coverings, protective perspex shields, proactive testing of teachers and an appropriate level of physical distancing between pupils and most certainly between pupils and staff, alongside continued protections for vulnerable groups. The EIS would expect these issues to be agreed within CERG before schools could reopen more fully.

A great deal of work at school level has already gone into planning for a blended learning model from August 11th, so any change to that will require time to adjust plans and conduct revised risk assessments. Again, this will need to be subject to discussion and agreement.

Everyone wishes to see schools operate as normal, but this should be done in a way which is demonstrably safe for students and staff, which doesn't undermine public health messages, and which is done with the interest of school communities being first and foremost and not political expediency."

1.12 It is understood that the national education recovery group will meet the beginning the 29th June and it is anticipated that revised physical distancing guidance will be forthcoming in the weeks ahead. It could be presumed that the revised guidance will be published to coincide with the announcement of the model of education to be provided in July 2020.

Funding for Schools Reopening

1.13 Within Report [RES/20/101] in line with the flexibilities offered by the Scottish Government, officers are proposing to set aside funding that can be applied

more flexibly, namely the Early Learning and Childcare Expansion specific grant funding, in order to pay for the additional costs arising from the Local Delivery Phasing Plan. This is possible because of the statutory duty to deliver 1,140 early learning and childcare from August 2020 having been removed.

- 1.14 The Depute First Minister makes no mention of changing that grant flexibility which has been on offer to date. However, in his statement to Parliament he does state “we continue to work in partnership with local authorities to agree a new timetable for delivery of the 1,140 hours entitlement to all eligible children”.
- 1.15 The Depute First Minister stated in the re-opening of schools on a full time basis that “...there must be the right protective measures and risk assessments in place in schools to keep everyone with higher risk factors including teachers and staff safe.” In the absence of appropriate guidance, it is difficult to establish exactly what will be required to be in place by the Scottish Government to ensure a safe return to school buildings.
- 1.16 This reinforces the unknown cost element and given the conditions that have to be met in order to fully reopen schools the uncertainty remains and it leads me to the conclusion that the recommendations in [RES/20/101] remain appropriate.
- 1.17 The cabinet secretary outlined an additional £100m over the next 2 years to help support the return to school. As at Monday the 29th June, no details are available on this announced funding.

Discretionary Housing Payments (DHP)

- 1.18 On 24 June 2020 the Scottish Government confirmed the distribution of an additional £5m to support tenants financially affected by the Covid-19 pandemic to support their tenancies. The Council has been allocated an additional sum of £189,754 for 2020/21.

Connecting Scotland – Rollout of digital devices to school pupils

- 1.19 Report [RES/20/101] references the initial allocation to the Council of 240 digital devices, as part of the initiative announced in May 2020. Further information on the same subject has become available,
- 1.20 The total funding is confirmed as £25m, split between c.£20m for devices and c.£5m for connectivity solutions. Capital grant funding will be made available to purchase the devices.
- 1.21 Criteria for distribution of the devices includes, for use by children and young people for blended learning, in accordance with relevant local authority approaches. Amongst others, the following principles will apply to use of funding under the scheme:
 - i. Every effort must be made to make devices and connectivity solutions available to children and young people in time for the start of term in August.
 - ii. Where the full level of demand in a local authority area cannot be met, funding must be prioritised towards the most disadvantaged children and young people. This assessment of vulnerability should be made by local authorities, working

with schools and teachers who will know their communities best, but it should include consideration of:

- Those children and young people who are most digitally excluded (e.g. with no access to a usable device or connectivity solution as opposed to limited access)
- Additional support needs and equality and diversity (e.g. children and young people with additional support needs or particular disabilities, health conditions or other circumstances that mean they are at heightened risk of digital exclusion or require to spend more time doing home learning).
- Children and young people most at risk of negative impacts on attainment in the pandemic situation.

1.22 Devices and connectivity hardware will be owned by the Council and loaned to end-users, thereby ensuring ongoing technical support can be made available to children and young people.

1.23 Local authorities should work with the Scottish Government to make every effort to avoid unnecessary duplication when distributing devices to households that may be benefitting from other emergency assistance for digital inclusion during the pandemic.

Scottish Government Funding Summary

What this means for Aberdeen City Council as at 23 June 2020

Title	Implemented?	Funding Pot	Funding for ACC	Progress
Business Grants	Yes, in progress. Announced that this scheme will close on 10 July 2020.	£1.2bn, only £0.95bn initially distributed	Est. £33.7m Allocated 80%; Rec'd £26.9m	As at 23/6/20 Paid out £22.8m to 1,831 businesses
Business Grants - Expansion	Announced 15/4, in progress	£110.8m	Not yet allocated, cashflow based on above grant funding.	As at 23/6/20 Paid out £1.2m to 113 businesses
Business Grants – Phase 3 – Non-NDR ratepaying tenants	Announced 1/6, in progress from 8/6	To be funded from Business Grants £1.2bn	n/a	As at 23/6/20 Paid out £0.4m to 35 businesses
Self-employed	Announced 15/4, draft guidance, received, implementation in progress.	£34m	Est. £1.9m Allocated 60%; Rec'd £1.1m	As at 23/6/20 Paid out £0.3m to 162 newly self employed people.

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