

# Public Document Pack

## ADDITIONAL CIRCULATION



To: Councillor Alex Nicoll, Convener; Councillor Yuill, Vice Convener; and Councillors Allard, Duncan, Graham, MacKenzie, Mason, Mennie and Reynolds.

Town House,  
ABERDEEN 28 June 2021

## **AUDIT, RISK AND SCRUTINY COMMITTEE**

The undenoted items are circulated in connection with the meeting of the **AUDIT, RISK AND SCRUTINY COMMITTEE** to be held Via Teams on **WEDNESDAY, 30 JUNE 2021 at 2.00 pm.**

FRASER BELL  
CHIEF OFFICER - GOVERNANCE

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

### **COMMITTEE BUSINESS**

#### **Annual Reports and Accounts**

8.6      External Audit Annual Report (Pages 3 - 64)

8.7      Audited Annual Accounts 2020/21 - RES/21/160 (Pages 65 - 272)

Should you require any further information about this agenda, please contact Karen Finch, tel 01224 522723 or email [kfinch@aberdeencity.gov.uk](mailto:kfinch@aberdeencity.gov.uk)

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# Agenda Item 8.6

## SUBMISSION OF LATE REPORT

NAME OF COMMITTEE	: Audit Risk and Scrutiny Committee
DATE OF COMMITTEE	: 30 June 2021
TITLE OF REPORT	: External Audit Annual Report 2020/21

### Please explain why this report is late.

The audit is carried out to a compressed timescale to meet Council expectations. The audit of the Annual Accounts required to be substantially completed before the final draft report could be prepared, and this was reached on 28.06.2021, therefore the report could not fit into the normal committee cycle. Meeting this timescale means that there is a clearer and better understanding of the Council finances early in the year and supports our financial resilience.

### Please explain:

- why this report must be submitted to the next meeting of the Council/Committee; and
- why it cannot be submitted to a meeting of the Council/Committee at a later date.

Director Steven Whyte

Date 28.06.2021

The following section must be completed by the Convener where a report must be submitted less than three clear days<sup>1</sup> before a meeting of the Council/Committee.

By law, an item of business must be open to inspection by members of the public for at least three clear days before a meeting.

An item of business not open to inspection for three clear days may be considered at a meeting only by reason of special circumstances, which shall be specified in the minutes, and where the Convener is of the opinion that the item should be considered as a matter of urgency.

Please explain why you are of the opinion that the item should be considered as a matter of urgency.

The audit of the annual accounts is an important element of managing the Council's finances, the unaudited accounts have previously been provided to the Committee and therefore will be generally familiar to all members. The auditors opinion and explanation of audit findings contained in the report are fundamental to reviewing and approving for signature the audited annual accounts. In line with robust financial management arrangements consideration of the annual accounts for 2020/21 is good practice ahead of the first quarterly reporting of the new financial year, it provides certainty and assurance to the Council.

Convener Councillor Alex Nicoll

Date 28 June 2021

<sup>1</sup> For example if a letter is posted on Monday advising of a meeting on Friday, it gives 3 clear days notice (i.e. Tuesday, Wednesday, Thursday). Saturday, Sunday and public holidays are included within the definition of Clear Days.

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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 2021

**DRAFT 28 June 2021**

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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 Michael Wilkie, who is the engagement leader for our services to the Council, telephone 141 300 5890, email: [michael.wilkie@KPMG.co.uk](mailto:michael.wilkie@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](mailto: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.

# Executive summary

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## Significant risks

Pages 8-13

- Management override of controls fraud risk Page 8
- Expenditure recognition fraud risk Page 9
- Revaluation of council dwellings, other land and buildings, surplus assets and investment properties Page 10
- Retirement benefits Page 12

## 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 2021, and of the surplus 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 but the continued impact of the pandemic on our client base and in some aspects of the Council's preparation for audit mean that there remain areas incomplete.

Consistent with the status at this time in the prior year, a significant amount of audit work requires final conclusion following receipt of management specialists' estimates, adjustments, a small number of sample items and revised financial statements, in respect of:

- Agreement of processed audit adjustments related to agency / principal relationships, valuations, bond accounting and associated disclosures.
- Audit of consolidation and associated adjustments.
- Receipt of a small number of sample items related to remuneration, income, pensions, valuation (review of inputs), treasury.
- Completion of testing in respect of journals and some financial statement disclosures including associated audit checklists and the cash flow statement.
- Internal approval of assessment of going concern and associated disclosures..

We consider that the audit is slightly advanced compared to the same time in the prior year and would like to acknowledge management's support in continuing to achieve tight timescales in a challenging environment.

We have a number of internal quality procedures to complete including review as we complete documentation of our audit testing.

Page 7

## Current Year recommendations

Appendix four  
Number

2

Significant control recommendations

## Open control recommendations

2

Significant control recommendations (IT controls)

1

Other control recommendations (general controls)

# Executive summary (continued)

## Uncorrected audit misstatements

We anticipate three uncorrected audit misstatement associated with the valuation of P&J Live, PPE depreciation and bond accounting as noted on pages 11 and 45.

## Corrected audit misstatements

Page 44

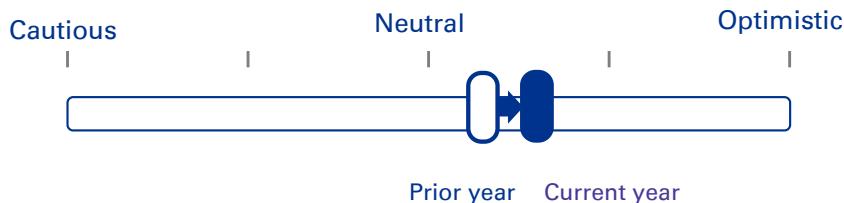
In addition, a presentation adjustment was made in respect of £44.597 million related to the payment of charges to Aberdeen Roads Limited where the Council is principal. This had no net impact on the cost of services.

Management identified a further adjustment in respect of £2.8m additional income and expenditure (due to the IJB).

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## Accounting judgements related to estimates

Page 16



Overall we are satisfied with the key accounting judgments taken and that discussion of these matters in the section of the accounting policies appropriately addresses the matters we have communicated to you.

The very slight move towards a more optimistic position relates to pension liabilities, which are considered balanced overall.

# Scope and responsibilities

## 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 24 February 2021.

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 report 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 conclusions

## Audit opinion

Following approval of the annual accounts by the Audit, Risk and Scrutiny Committee on 30 June 2021, and completion of outstanding testing, we expect to issue an unqualified opinion on the truth and fairness of the state of the Council's affairs as at 31 March 2021, and of the surplus 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 2021. 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. The opinion has been expanded in 2020-21 in respect of an explicit positive conclusion in respect of the going concern basis of preparation.

## 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 2020-21 ("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 2021 for unaudited accounts and 30 September 2021 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 2021. 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 2020-21, with complete draft accounts approved on 12 May 2021 and good support provided to facilitate access to information and complete audit testing. There remains 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, for example in respect of Covid-19 grants, the timeliness of Council property valuations and their consideration.

## 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

Six audit misstatements were identified during the audit. We have agreed with management that three will be adjusted and expect three to be unadjusted, in some cases these are still being quantified.

## Written representations

We anticipate that in addition to our standard representations, we will request management to confirm their assessment in respect of the classification of Covid-19 and Aberdeen Western Peripheral Route transactions as agency / principal.

# Materiality and summary of risk areas

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## 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 £10 million for the Council's standalone financial statements, and £10.3 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 £6.5 million. For the Group accounts it was £6.7 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:

- Fraud risk from management override of controls;
- Fraud risk over expenditure recognition;
- Retirement benefits – Gross Liabilities\*; and
- Valuation 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.

Our audit strategy also identified audit focus areas in respect of Capital Expenditure and Covid-19 related grants.

KPMG continued to determine 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. **This requires internal consultation and approval which we expect to obtain prior to issuing our opinion.**

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

# Significant risks

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SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Fraud risk from management override of controls</b></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 and committees provides additional review of potential material errors caused by management override of controls.</p> <p>In line with our methodology, we have tested the operating effectiveness of controls over journal entries <b>and post closing adjustments</b>.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Testing the design, implementation and operating effectiveness of controls in place for the approval of manual journals posted to the general ledger to ensure that they are appropriate.</li> <li>— Analysis of all journals through the year using data and analytics and focusing our <b>testing on those with a higher risk</b>.</li> <li>— Assessing appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.</li> <li>— Considering the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual.</li> <li>— Testing the design and implementation of controls in place for the identification of related party relationships and test of the completeness of the related parties identified.</li> </ul>	<p><i>We did not identify any indicators of management bias or management fraud.</i></p> <p><b>Our testing of journal entries</b> was satisfactory and we have obtained sufficient audit evidence as a result of the planned procedures. No issues were identified.</p>

## Significant risks (continued)

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SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Fraud risk over expenditure recognition (risk over income recognition rebutted)</b></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 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 did not rebutted the assumed risk in respect of the remaining expenditure accounts (£377 million) within the £1,002 million (in 2020-21) gross expenditure. The risk is for the expenditure in the months following month 9 reporting, including the year end processes and cut off. (The risk is the completeness, accuracy and existence of the expenditure).</p> <p><i>As explained in our audit strategy, we have rebutted the presumed risk in respect of improper recognition of income for the reasons set out in that report.</i></p>	<p>We performed the following testing:</p> <ul style="list-style-type: none"> <li>— Comparison of the outturn with the in year budget monitoring, considering variances from budgeted reserves utilisation to actual utilisation.</li> <li>— Testing the design and implementation of controls specific to expenditure cut-off.</li> <li>— Testing of expenditure cut-off including a search for unrecorded liabilities.</li> <li>— Detailed testing of transactions focusing on the areas of greatest risk, including creditors, accruals and provisions to challenge completeness of these balances.</li> <li>— Review and challenge of management in respect of cut-off arrangements and use of any de-minimis levels.</li> <li>— Testing of journal entries in relation to expenditure for evidence of management bias.</li> </ul>	<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, <b>and testing of high risk journals</b>.</p> <p>Our testing of accruals and transactions post year end did not identify adjustments.</p> <p><b>No indications of management bias were identified.</b></p>

# Significant risks (continued)

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Valuation of council dwellings, other land and buildings, surplus assets and investment properties</b></p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. There is a significant risk over the valuation assertion due to material estimates included within the valuation.</p> <p>The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.</p> <p>In 2020-21 the following category of assets were subject to revaluation and the movements were material:</p> <ul style="list-style-type: none"> <li>- Housing Revenue Account properties; and</li> <li>- Surplus properties.</li> </ul> <p>Given the quantum of the carrying values and the inherent use of assumptions in their valuation, we considered 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 2020-21 are not materially misstated, especially with the current impact of the Covid19 pandemic and economic impact.</p> <p>The Council also holds investment properties, which as at 31 March 2020 were valued at £196 million. These properties are subject to annual revaluation and similarly we considered there to be a risk of misstatement arising from the use of assumptions in the valuations.</p> <p>This includes significant assets such as Marischal Square development and the hotels and Energy centre at TECA site hotels (excluding the P&amp;J Live).</p>	<p>Our procedures included:</p> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>— Understanding the extent of the Council's involvement in the valuation process to assess if appropriate oversight occurred.</li> <li>— 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.</li> <li>— Assessing the risk of the valuation changing materially during the year, or between the date of valuation and the year end.</li> </ul> <p><b>Assessing valuer's credentials:</b></p> <ul style="list-style-type: none"> <li>— 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.</li> </ul> <p><b>Assessing methodology choice and benchmarking assumptions:</b></p> <ul style="list-style-type: none"> <li>— Utilising our internal specialist to critically assess the methodology used by the Council's valuer by considering whether the valuations are in accordance with the RICS Valuation Professional Standards 'the Red Book' and relevant accounting standards.</li> <li>— 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.</li> <li>— Meeting with the Council's valuer to understand the assumptions and methodologies used in valuing the assets revalued during 2020-21 and the market evidence used to support the assumptions.</li> <li>— Challenging management's assessment of why it considers that the land and buildings not revalued in 2020-21 are not materially misstated, by reference to market evidence relevant to the assets.</li> <li>— Challenging the Council's assessment of the potential impact of Covid-19 on the carrying value of assets as at 31 March 2021.</li> </ul>	<p>We found the resulting valuation of council dwellings, other land and buildings, surplus assets and investment properties to be acceptable.</p> <p><b>Control design:</b></p> <p>We requested management carry out an exercise to specifically consider assets not subject to revaluation in 2020-21. This was well documented and completed by the valuer.</p> <p>Management's assessment considered all categories of asset not subject to annual valuation and which were not included in the current cycle. It focussed on categories comprising more than 5% of the overall property value and sampled 25% of assets within each category.</p> <p>Overall, management's assessment concluded that of approximately £487 million of DRC assets not revalued, the current value on a desktop analysis based on the sample, would be approximately £483 million. This indicates the valuation remains appropriate.</p> <p>We challenged the value per square foot used for various property types by comparison to current indices. <b>The significant majority were within our expected range and those out with the range had specific justifiable features or were not material.</b></p> <p><b>Assessing valuer's credentials</b></p> <p>We concluded that the Council's valuer is appropriately qualified, competent and experienced to prepare the Council's valuations.</p> <p><b>Assessing methodology choice and benchmarking assumptions:</b></p> <p>The categorisation of significant components of the TECA development are consistent with the final position agreed in the prior year. Our commentary on individual elements is noted here for completeness and we are satisfied with the overall valuation.</p>

# Significant risks (continued)

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Valuation of council dwellings, other land and buildings, surplus assets and investment properties</b></p> <p>Continued...</p> <p>The Covid19 pandemic has had a significant impact on the operation of P&amp;J Live, hotels and interest in Marischal Square accommodation and may impact on investment and surplus asset valuations generally.</p> <p>P&amp;J Live and the energy centre were classified as an operational asset / investment property in 2019-20 and valued on the basis of depreciated replacement cost/cost respectively, we have challenged management to continue to assess whether a market value can be determined.</p> <p><i>This represents a Key Audit Matter in the audit opinion.</i></p>	<p>Continued...</p> <p><b>Input assessment</b></p> <ul style="list-style-type: none"> <li>— Assessing the observable inputs used in the valuations by reference to supporting evidence.</li> </ul> <p><b>Our sector expertise</b></p> <ul style="list-style-type: none"> <li>— Assessing, in light of our knowledge of the Group's assets and changes in market conditions, the assumptions used compared to our own expectations.</li> </ul> <p><b>Assessing transparency</b></p> <ul style="list-style-type: none"> <li>— Assessing the adequacy of the disclosures in respect of the sensitivity of the valuations to assumptions made by the Council's valuer.</li> <li>— Assessing the disclosures in respect of significant judgements made by management in respect of the categorisation and basis of valuation of completed components of the TECA development.</li> </ul>	<p>Continued...</p> <p>P&amp;J Live: specialised operational asset valued at depreciated replacement cost. Depreciation was charged in the year of £5.5 million reducing the carrying value to £240.7 million. The Council valuer provided a valuation as at 30 November 2020 which was the same as the valuation as at 31 March 2020, £246 million. <b>We challenged what the appropriate carrying value was and understand that the Council's valuer is preparing an updated valuation as at 31 March 2021 which is expected to show some reduction of value. The difference between that value and the carrying depreciated amount is expected to be less than £5.5 million and therefore unlikely to be material. We anticipate recording it as an unadjusted difference.</b></p> <p>Two hotels: investment properties valued at market value. Downward revaluation reflected in surplus/deficit on provision of services, from £14 million to £12.3 million.</p> <p>Energy Centre: investment property, continuing to be reflected at cost in year two due to the unavailability of a reliable market value as operations have had limited commencement and are impacted by the pandemic. Carrying amount unchanged at £39 million of which the majority relates to equipment.</p> <p>Associated development land, investment property reflected at market value. Downward revaluation reflected in surplus/deficit on provision of services, from £15.3 million to £13.7 million.</p> <p>None of the above movements represent audit adjustments and are simply a summary of key valuation changes.</p> <p><b>Input assessment</b></p> <p>For each of the assets sampled, management supported the key inputs to the asset valuation.</p> <p><b>Our sector expertise</b></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><b>Assessing transparency</b></p> <p>We reviewed the additional disclosures in respect of the Council Valuers materiality uncertainty clauses and consistent with the prior year, recommended inclusion in the accounts of valuation sensitivity analysis in respect of estimates for valued assets.</p>

# Significant risks (continued)

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Retirement benefits – Gross Liabilities</b></p> <p>The net pension liability of £119m (£309m as at 31 March 2020) 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 2020.</p> <p>The impact of the triennial valuation will be felt in the contributions paid in 2021/22, however it will help to form the valuation as at 31 March 2021 using the roll forward basis.</p> <p>The calculation of the Local Government Pension Scheme liability requires the use of an actuarial methodology, the result of which is dependent upon a number of assumptions. These include both financial and demographic assumptions, such as the discount rate, inflation rates, mortality rates etc. These assumptions should reflect the profile of the Council's employees, and be based on appropriate data. The basis of the assumptions should also be derived on a consistent basis year to year.</p> <p>The Gross Liabilities at 31 March 2021 should now include an assessment of the liability due to the legal rulings for McCloud / GMP and Seargent.</p>	<p>Our audit approach included:</p> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>— Testing the design and implantation of controls over the provision of membership information to the actuary who uses it, together with the assumptions, to calculate the pension obligation.</li> </ul> <p><b>Test of Details:</b></p> <ul style="list-style-type: none"> <li>— Test of detail of the year end cashflows, membership details, and asset rate of returns.</li> </ul> <p><b>Benchmarking assumptions:</b></p> <ul style="list-style-type: none"> <li>— 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.</li> <li>— 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.</li> </ul> <p><b>Management Expert:</b></p> <ul style="list-style-type: none"> <li>— Evaluating the competency, objectivity of the scheme actuaries to confirm the qualifications and the basis for their calculations.</li> </ul> <p><b>Data Testing:</b></p> <ul style="list-style-type: none"> <li>— Agreeing the data provided by the council to the North East Scotland Pension Fund for use within the calculation of the scheme valuation.</li> </ul> <p><b>Assessing transparency:</b></p> <ul style="list-style-type: none"> <li>— Considering the adequacy of the disclosures in respect of the sensitivity of the liability to these assumptions.</li> <li>— Assessing if the disclosures within the financial statements are in accordance with the Code's requirements.</li> </ul>	<p><i>We are satisfied that the retirement benefit obligation:</i></p> <ul style="list-style-type: none"> <li>— <i>is correctly recognised on the balance sheet as at 31 March 2021;</i></li> <li>— <i>has been accounted for and disclosed correctly in line with IAS19 Retirement benefits; and</i></li> <li>— <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></li> </ul> <p><b>Control design:</b></p> <p>Results of testing of controls in respect of provision of information to the actuary were satisfactory.</p> <p>We identified that for audit purposes the Management review control carried out was not done to sufficient detail and by an officer with the appropriate expertise. This control still enhances the Council's overall control environment.</p> <p style="text-align: right;"><b>Recommendation three page 47</b></p> <p><b>Test of Details:</b></p> <p>Results of test of details were satisfactory.</p> <p><b>Benchmarking assumptions:</b></p> <p>Our overall assessment is summarised in appendix nine.</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"> <li>— 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.</li> <li>— The Council's actuaries have included the full effect of the interim indexation solution in the calculation of scheme liabilities in the prior year and adjusted in the current year. The movement is not material.</li> </ul>

## Significant risks (continued)

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SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<b>Retirement benefits (continued)</b> Continued... There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact on the net pension liability accounted for in the financial statements. <i>This represents a Key Audit Matter in the audit opinion.</i>	See previous page	<p>Continued...</p> <p><b>Benchmarking assumptions continued...</b></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"> <li>— This ruling potentially gives rise to additional liabilities for local government pension schemes.</li> <li>— The Council's actuary has included a liability of £12.0 million in respect of McCloud in 2019-20. We consider the allowance appropriate.</li> </ul> <p>We are aware of other recent rulings: Goodwin, Brewster and Langford. These each relate to a small proportion of members' benefits payable in certain circumstances. Each of these rulings is expected to have a small change to a small number of members' benefits.</p> <p>We have discussed each with the Fund Actuaries who confirmed no allowance has been made for them on the grounds of materiality. An estimate may be required in the future once more is known but we agree nil allowance at this time given the difficulty in obtaining data to produce a credible estimate and likelihood of immaterial impact.</p> <p><b>Assessing transparency:</b></p> <p>The disclosures in the annual accounts are in line with the Code's requirements, including relevant sensitivity analysis.</p>

## Other areas of audit focus

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Other area of audit focus	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Capital expenditure</b></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 £196 million for 2020-21.</p> <p>The Pandemic has had an impact on the delivery of the planned capital program meaning a delay on some of the capital developments.</p> <p>Key projects in progress during 2020-21 include the Energy from Waste Plant construction, and affordable housing build.</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.</p>	<p>Our procedures included:</p> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>— Testing the design, implementation and operating effectiveness of controls over the capital projects.</li> <li>— Testing the design, implementation and operating effectiveness of controls in respect of the review of costs allocated to capital and revenue projects.</li> </ul> <p><b>Control re-performance:</b></p> <ul style="list-style-type: none"> <li>— Comparing the total capital expenditure reported in the financial statements with that reported in reports to those charged with governance.</li> </ul> <p><b>Tests of detail:</b></p> <ul style="list-style-type: none"> <li>— Use of substantive sampling methods to evaluate the appropriateness of capital or revenue accounting classification by reference to supporting documentation.</li> <li>— Assessing a sample of items allocated to revenue expenditure to determine whether they are correctly classified.</li> <li>— Review and corroborate to supporting audit evidence of manual journals.</li> </ul>	<p><b>Control design and re-performance:</b></p> <p>The controls tested were found to be effective.</p> <p><b>Tests of Detail:</b></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>

# Other areas of audit focus

Other area of audit focus	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Covid-19 grant accounting</b></p> <p>As part of the economic support provided by the Scottish government, the Council has provided ongoing support by operating various grant type schemes for industries and people within the Council region. These total approximately £80m million to date, £55 million of which the Council are currently classified as agency, and £25 million as principal these includes, for example business support grants and the £500 additional payment due to some key workers.</p> <p>There are two generally accepted routes to account for these grants, with the Council acting as either the 'agent' or 'principal' with associated income and expenditure to third parties either primarily excluded or included in the Council's balances respectively.</p> <p>There is a risk in respect of the judgement on how to account for different schemes based on their features and nature. We anticipate some consideration to be given by both management and by Audit Scotland and other audit firms collectively.</p> <p>In addition, due to the complexity, development of guidance and relative inexperience of administering the schemes, there is an element of risk of fraud and error in respect of payments made and disclosure.</p>	<p>Our audit approach, included:</p> <p><b>Inquiry and understanding:</b></p> <ul style="list-style-type: none"> <li>– Inquiring of Officers how the various grants are processed and controlled through the responsible departments.</li> <li>– Requesting management to provide a summary of schemes, their nature, volume and value of payments.</li> </ul> <p><b>Tests of detail:</b></p> <ul style="list-style-type: none"> <li>– Challenging the judgement of whether to account for various schemes with the Council as 'agent' or 'principal'.</li> <li>– Comparing management's assessment to the guidance issued by LASAAC providing guidance on accounting for Covid-19 related grants.</li> </ul>	<p>Management provided their analysis of £100.6 million of Covid-19 related grants processed during 2020-21.</p> <p>In each case an assessment was made by the Council of whether it was acting as agent (on behalf of Scottish Government / others) or as principal. The key factors considered included:</p> <ul style="list-style-type: none"> <li>– Whether the Council decided on the award criteria</li> <li>– Whether the Council bears credit risk / cost</li> <li>– Whether the Council receives an administration fee for processing the grants</li> </ul> <p>Late in the audit process, and following preparation of the draft financial statements, LASAAC provided analysis of its conclusions in respect of the likely treatment of various grants on 13 May 2021.</p> <p>With the significant exception of the business support grant (approx. £53 million) the Council and LASAAC concluded that arrangements reflected a principal relationship.</p> <p>Following publication of guidance, the Council reviewed its assessment and identified a small number of immaterial grants which it had treated as principal which should be treated as agency. The most significant was £0.9 million of £500 payments made to Council staff.</p> <p>The Council proposes adjusting all payments to be in line with the LASAAC guidance and updated its disclosure notes accordingly.</p> <p><i>We have concluded that the treatment of Covid-19 related grants is satisfactory and will assess management's updated Agency disclosures.</i></p>

# Qualitative aspects

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 2020-21 financial statements and accounting estimates. We set out our view below:

Subjective areas	2019-20	2020-21	Commentary
Council tax bad debt provisions £42.5 million	③	③	Collection rates have remained relatively stable year-on-year. We concur with the provisioning approach and we note that this is not a material area of judgement.
Pension assumptions Net liability: £119 million	②	③	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 (2.1%) 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. Full details are in appendix nine.
Council dwellings, other land and buildings, surplus assets, and investment property revaluations	④	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 11. 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 2020 and assets not revalued in the year. No adjustments were required. 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>

## 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 £1.41 billion (2019-20 £1.21 billion) as at the balance sheet date. Net assets increased on 2020-21 by £116 million, reflecting the total comprehensive income for the year.

During 2020-21, the Council set a net revenue expenditure budget of £533 million (being £493 million on the General Fund and £40 million on the Housing Revenue Account). The core outturn is a decrease of £15 million (being £30 million decrease on the General Fund and £15 million increase 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 2021 the Council approved savings for 2021-22 of £32.4 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 response to Covid-19, the Scottish Government confirmed on 9 October 2020 the option to use financial flexibilities to support the Council's financial position. Updates were provided to the City Growth and Resources Committee in the Quarterly Monitoring reports in October and February. These flexibilities have not been used in 2020-21 but the Council wishes to keep open the option to use them in future financial years.

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:

- 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 considered the impact challenged the income included in forecasts in respect of hotels, P&J Live and other major projects during our 2019-20 audit and understand these are predominantly reduced to non-operational levels in the 2021-22 forecast.
- Enquiring of discussions between the Council and its ALEOs / group entities regarding Council support.
- Liaison with Audit Scotland regarding basis of preparation and audit opinions in 2019-20 during the pandemic and into 2020-21.

# Going concern

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### 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.

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 are required to undertake mandatory internal consultation on a rebuttable presumption that every entity would have at least a material uncertainty in respect of going concern. **For the reasons set out, we expect to continue to rebut this but have not yet completed our internal consultation. Minor presentational amendment to the basis of preparation may arise.**

In light of the above we expect to conclude that the going concern assumption is appropriate.

# Management reporting in financial statements

REPORT	SUMMARY OBSERVATIONS	AUDIT CONCLUSION
<b>Management commentary</b>	<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><b>We reviewed the contents of the management commentary against the guidance contained in the local government finance circular 5/2015 and are content with the proposed report.</b></p>
<b>Our view of Alternative Performance Measure (“APM”) presentation</b>	<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)

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REPORT	SUMMARY OBSERVATIONS	AUDIT CONCLUSION
<b>Remuneration report</b>	<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>Our testing of exit packages is currently ongoing.</p>
<b>Annual governance statement</b>	<p>The statement for 2020-21 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 2019-20 which was reflected. In 2020-21 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>

# Group financial statements

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.

ENTITY	WORK PERFORMED	AUDIT CONCLUSION
Charitable Trusts	<p>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.</p> <p>We considered and confirm our independence as auditor and our quality procedures, together with the objectivity of the audit director and audit staff.</p>	Our audit of the charitable trusts is not yet progressed.
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 22 June 2021. One adjustment of £2.8m in relation to Bon Accord rent was identified by the IJB, this also required to be reflected by Aberdeen City Council standalone financial statements (with no net impact) and is eliminated at the consolidated position.	We expect to issue an unqualified audit opinion for the IJB.

# New accounting standards

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### New accounting standards for 2020-21

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 2021-22.

### Future accounting and audit developments

The main changes included on the 2020/21 accounting are presented below. They refer to changes that Audit Scotland Professional Support draws auditors' attention to:

- Amendments to reflect changes to the definition of material in IAS 8.
- The implementation of amendments to IAS 19 Employee Benefits.
- Amendments to accounting and reporting by pension funds.
- Amendments relating to financial instruments.
- The total line in Comprehensive Income and Expenditure Statement.

# Wider scope introduction

### 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. The Council's Best Value review was substantially conducted in autumn/winter 2020 and reported to the Accounts Commission in June 2021.

Consequently, the significant majority of findings within this section are based on the conclusions drawn in completing that work.

### 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;
- consideration of Audit Scotland guidance to draw conclusions on good practice; and
- Completion of the BVAR.

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.**

## 2020-21 financial performance

The Comprehensive Income and Expenditure Statement shows a surplus on the provision of services of £9.4 million for the year to 31 March 2021. The surplus 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 £39.4 million, being £36.3 million in respect of the General Fund, £1.9 million in respect of the Housing Revenue Account and £1.2 million of surplus for other usable reserves.

### General Fund

A balanced budget was approved at the start of the year, incorporating a final saving requirement of £26 million. Since this budget was set the Covid-19 pandemic hit the country and this had a significant impact on the financial pressures both in terms of increased costs, and loss in income.

The council set up Covid19 budget and risk arrangements to fully understand the additional costs, and loss of income, in a context of uncertain levels of support from the Scottish Government at the start of the year.

Various financial scenarios were set out and decisions were made where possible to reduce non essential spend. The Scottish Government confirmed various income streams later in the year.

The £12 million General Fund underspend represents around 2% of the net services expenditure, this has been achieved by appropriate financial management during the pandemic. Covid-19 grants received during 2020-21, where the Council is principal, have been earmarked for Covid-19 support into 2021-22.

### Financial headlines

**Surplus on provision of services**  
£9.4 million  
*2019-20: £156.6 million (Deficit)*

**Surplus on general fund**  
£12 million  
*2019-20: £125 million (deficit)*

**Total reserves**  
£1,413 million  
*2019-20: £1,216 million*

**General fund reserve**  
£71.6 million  
*2019-20: £35.3 million*

**Reported underlying underspend**  
£2.5 million  
*2019-20: £0.2 million*

**Capital financing requirement**  
£1,340 million  
*2019-20: £ 1,337 million*

(Source: audited annual accounts)

# Financial management (continued)

## 2020-21 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 £2.2 million overspend on the provision of services reported for 2020-21, reflects the impact of the Covid-19 pandemic on the account. However this is adjusted for impact of revaluation and capital funding and overall the HRA recorded an overall increase of reserves of closing HRA reserves of £14.7 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 2020-21 £0.415 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	UBC	4.9	2.6	(0.4)

The Statutory and Other Usable Reserves include the Capital Fund, Insurance Funds and Capital Receipts Unapplied Account. Transfers have included capital receipts and contributions from revenue.

### **Capital budget**

Between 2016/17 and 2019/20, the council invested significantly in property, plant and equipment. In recent years the council has successfully managed its capital programme to deliver projects on time and on budget. Significant investments in Marischal Square, The Event Complex Aberdeen, and the Art Gallery are notable for both their size and the council's innovative approach to capital projects overall. Due to Covid-19, it is likely that the council's capital expenditure was around £79 million in 2020/21, compared to a budget of £195 million. Budget re-profiling and assessment of any additional costs due to Covid19 delays are being reported and adjusted in the capital programme agreed for 2021/22 and beyond.

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 10 March 2021 the Council approved a detailed balanced revenue budget for 2021-22 and a five year high-level budget to 2025-26. The Council also approved a five year capital budget of £386million, in addition to a housing investment program over the same period of £357 million.

This budget included a decision to go ahead with additional service redesign which underpins the medium-term financial budgets to 2025/26. The service redesign is expected to provide recurring cost savings and increased income of £26 million per year, building on the savings already achieved and addressing expected future budget gaps.

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.

# Financial management (continued)

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### 2021-22 budget proposals

#### Covid19

Aberdeen and the wider region now face having to manage a continued transition from reliance on oil and gas as economic drivers while also addressing the impact of Covid-19. This combination presents a set of economic challenges that are unique to the region.

Aberdeen is expected to be the fifth most affected area in Scotland as a result of Covid-19. Its unemployment rate remains below that of Scotland, but this is partly on account of a higher than average uptake of the UK Government furlough scheme. Recent falls in oil prices, combined with the impact of Covid-19 on the oil and gas sector and other key sectors (including tourism, accommodation and hospitality), means that Aberdeen could experience upwards of 10,000 redundancies in the short-term. This would be the third highest number in Scotland and would only be exceeded by the more populous Glasgow and Edinburgh.

#### The council responded quickly to the challenges that Covid-19 presented

In response to Covid-19, the council moved quickly to empower its Urgent Business Committee. Between March and September 2020, the full council and most committees were put into abeyance and the Urgent Business Committee became the main decision making and scrutiny forum within the council. This involved:

- Introducing a temporary standing order to allow virtual attendance at meetings.
- Reducing the UBC membership from nine to five (only the group leaders).

The administration rejected a procedural motion from the opposition to revert to full membership in May 2020 pending a report to the UBC in June which was to consider various governance issues. Full membership was reinstated alongside the wider committee structure in August 2020.

In July 2020, the CPP published its Socio-Economic Rescue Plan 20/21. Supported by Locality Recovery Plans, and aligned to the Local Outcomes Improvement Plan (LOIP), this set out an immediate response to the impact of Covid-19 while the LOIP is being refreshed in 2021.

The Financial Resilience Recovery Plan identified the council could face a budget deficit of £32 million in 2020/21. The Urgent Business Committee's approval of the plan demonstrates a sound planning and budget setting process and an ability to respond to unforeseen risks arising. Within this process, the council revised its budget and reduced or delayed non-essential investment. All decisions made were clearly aligned with the council's service delivery plans and long-term strategies.

The council also put in place a range of measures intended to ensure ongoing scrutiny of its financial management. This included a Covid-19 control environment risk assessment and gap analysis, and Covid-19 specific risk registers to help manage and minimise specific risks in the short-term. As at the end of December 2020, the council was projecting a deficit of £2.6 million for 2020/21. This reflected receipt of additional income from the Scottish Government and tight control on non-essential spend, demonstrating that the council has taken appropriate action to minimise the financial impact of Covid-19.

The Financial Resilience Recovery Plan included information on lost income, additional costs (including approved savings that were at risk of not being achieved) and expected grant funding related to Covid-19. It set out a range of scenarios and planned actions to enable the council to close the emerging deficit. It also included information on the expected impact in relation to the HRA, ALEOs and the Common Good Fund.

The council revised its risk management framework as part of its review of governance arrangements, which saw the development of a comprehensive corporate risk register. This is supplemented by operational risk registers, giving due consideration to issues such as ongoing risks related to the UK withdrawal from the EU. In addition, the council established Covid-19 specific risk registers during 2020 to help manage and minimise specific Covid-19 risks in the short term. The CMT reviewed the corporate risk register monthly prior to November 2020, with the newly established Risk Board now fulfilling this role. The register is also subject to scrutiny by the Audit, Risk and Scrutiny Committee. The council has also recently approved a Risk Appetite Statement, articulating the principles by which it considers and manages risk as it aims to deliver its commitments and priorities.

# Financial management (continued)

## Accounts and audit process



2020-21 was the fourth year of the accelerated accounts timetable, with draft annual accounts issued to the Audit, Risk and Scrutiny Committee (ARSC) on 12 May 2021, and the audit commenced on the same day. In order to facilitate approval of the annual accounts by the end of June 2021, the subsidiary and associate entities also delivered to an accelerated timetable. The statutory deadline for signed annual accounts was 30 September 2021 however due to Covid-19 the statutory deadline for signed annual accounts has been extended as in prior years. The Council does not intend to make use of the extension.



The ARSC meeting at which the unaudited annual accounts were considered was on 12 May 2021, compared to 6 May 2020 for the 2019-20 annual accounts. However with the impact of Covid19 lockdown to achieve this timetable is perhaps more impressive than in the prior year. Our experience is that the long term effect of Covid-19 has compounded over the period to 2021 with most organisations finding it harder to achieve deadlines this year than last. The draft presented to the UBC committee on 12 May 2021 was substantially complete, with some minor notes required amendment after the ARCS May meeting.

The Council and audit team have continued to work to deliver the work to the original deadlines however it continues to be 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, for example 2020-21 includes assessment of various Covid-19 related grants.

The audit of the Council group is significantly progressed and in particular, in respect of the significant risk areas is further advanced at this stage than in previous years which remains exemplary.

However, we continue to recommend that management give greater consideration to complex accounting transactions in advance of the audit and preparation of unaudited financial statements. The Council made efforts to update Bond accounting processes and correct a prior year unadjusted error, but we consider an error remains at the time of drafting. It did not give sufficiently detailed consideration to material proposed adjustments which were partially included in the draft financial statements or to aspects of the accounting for valuations. High quality working papers were provided at the start of the audit fieldwork and management responded effectively to our queries.



# Financial management (continued)

## 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 2020-21 we have identified a presentational misstatement where the Council had re-assessed income and expenditure as agency and removed this from the CIES in line with the guidance on Agency costs, however following a further management assessment and discussion this has now been re-included as a principal arrangement.

We have discussed this treatment with management but have yet to receive its detailed accounting assessment and conclude on it.

We are finalising our assessment in respect of unadjusted audit differences on page 45.

We consider that the Council performed exceptionally to achieve the June 2021 audit annual accounts timetable. There is a continued high level of oversight and review which has continued throughout 2020-21.

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

Readiness overview	2019-20	2020-21
Preparation and planning	H	H
Production of accounts	H	H
Oversight and review	H	H
Significant judgements	L	L
Supporting information	H	H

*KPMG qualitative assessment:*

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

# Financial management (continued)

## 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 prior years 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 and 2020-21 audits.

Prior year recommendations continue to be implemented. In addition new recommendations have been raised. [The current status and action plan is shown on page 47 onwards.](#)

## EU withdrawal

UK membership of the European Union (EU) ceased on 31st January 2020. UK and EU officials agreed to a transition period whereby the UK would continue to follow EU rules so that the trading relationship would remain unaffected whilst negotiations to agree terms of the future relationship between the UK and the EU took place.

The UK Government announced that an agreement had been reached between the UK and the EU on 24th December 2020 and the transition period ended on 31st December 2020.

The EU Exit Group met on 8th January 2021 to consider the implications of the agreement reached between the UK and EU. The Group concluded that the potential impacts of a “worst case/no deal” scenario appeared to have been mitigated by the deal announced between the UK and the EU on 24 December 2020. The Group recommended to the Risk Board that Corporate EU Exit risks be closed, Cluster EU Exit risks be monitored by the relevant Chief Officers and that the Group no longer meet on a monthly basis but remain on standby to reactivate should any EU Exit risks escalate or become issues. These recommendations were approved by the Risk Board.

# Financial management (continued)

## Audit Scotland Matter of Focus: Fraud and Corruption in Procurement

During 2020-21 the Council approved a refreshed Counter Fraud Policy including increased guidance on prevention and refresher training.

The Council has put in place a number of policies and arrangements to create an anti fraud and corruption culture as summarised in the previous year and below. We have not changed our assessment.

- 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.

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

As summarised in the BVAR:

The council has robust financial management arrangements, including effective monitoring and reporting and medium-term financial planning.

The council has delivered the required savings in years one to four of its ongoing transformation programme, with digital initiatives a main driver of this.

The financial outlook is challenging but the council is well placed to address projected funding gaps through its transformation programme and medium-term financial plan.

We also consider:

The Council has well developed arrangements in respect of fraud and corruption and risk management.

# Financial sustainability

**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 2019-20* report highlighted that Capital funding had experienced significant increases in the past three years by 33 per cent between 2017/18 to 2019/20. But Scottish Government capital funding in 2020/21 is now decreasing by 30 per cent in real terms. This will have an impact on councils' future investment plans. It furthered that after several years of reductions in funding, there has been a real terms increase in 2019/20 but notes that around 40 per cent of the increase was intended to meet the Scottish Government's policy of expanding early learning and childcare provision. Councils have limited flexibility over how they use this type of additional funding. It is also important to recognise that although funding in 2019/20 improved, reductions in local government funding over the past six years are still larger than in other areas of the Scottish Government budget.

It highlighted the very significant effect of the pandemic and lockdown, including on additional funding, pressures, uncertainty over the future and in many cases on increasing but earmarked reserves. It forecast that around 60-70% of pandemic cost pressures were met with additional funding.

## Target Operating Model

Since the Target Operating Model was introduced in 2017, which highlighted the need to deliver £125 million of savings by 2022/23, the council has delivered a balanced budget annually with use of £15 million in General Fund reserves (£10 million in 2017/18 and £5 million in 2018/19 for a transformation fund and a balanced position for 2019/20 and 2020/21). This also involved the council reducing its overall cost base and incorporating further efficiency savings into budgets.

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 the demand pressures and impact on income of Covid-19.

## Annual budget presentation

The annual budget was approved by Council on 10 March 2021. The budget report set out the general fund revenue and capital budgets for 2021-22, together with the general fund revenue budget for 2022-26. The revenue budget showed the need to make savings in 2021-22 of £30.4 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 medium term strategy agreed by Council on 10 March 2021 identified a need to make savings of £30.4 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 of recurring savings in 2021/22 is £26.2m. However If no action were taken by the Council then useable reserves of £278 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	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Net service expenditure	499,560	510,328	524,116	537,897	551,330
Funding	(473,320)	(465,429)	(466,816)	(468,513)	(470,651)
Deficit	<b>26,240</b>	<b>44,899</b>	<b>57,300</b>	<b>69,384</b>	<b>80,679</b>

(Source: 10 March 2021 – Council report)

# Financial sustainability (continued)

## Savings plans to deliver the 2021-22 balanced budget.

The Council is transparent about the level of savings required in 2021-22 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 £2.5 million is held as at 31 March 2021, 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 £26.2 million and does not have a significant unidentified savings target.

## Use of reserves

The Council has built up reserves during 2020-21, with an increase of £36.2m to reserves of £71.6m. The majority of the increase £33.7m due to Covid-19 funding from the Scottish Government which is earmarked to be spent in line with the grant conditions into 2021/22. So the council has increased reserves during 2020-21 by £2.6m.

The council at this stage is looking to invest some of the earmarked reserves to deliver recurring savings for the future, and to support partner organisations where the Covid19 pandemic has required reserved backed financial guarantee support, should these guarantees be called upon.

As at 31 March 2021 the Council had uncommitted general fund reserves of £12.5 million which equates to 2.3% of Net Cost of Services of £532 million (2.2% as at 31 March 2020). 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 2020 £000	Increase (/utilisation) £000	31 March 2021 £000
Transformation Fund	3,455	(976)	2,479
Second/Long Term Empty Homes	12,736	1,924	14,660
Covid-19 earmarked reserves	-	33,633	33,633
Uncommitted General Fund Reserve	12,000	500	12,500
Support and Guarantees	1,811	1,803	3,614
Other Earmarked reserves	5,388	(690)	4,698
<b>Total General Fund Reserves</b>	<b>35,390</b>	<b>36,194</b>	<b>71,584</b>

# Financial sustainability (continued)

## Covid 19 (extract from BVAR)

In response to Covid-19, the council produced a Financial Resilience Recovery Plan in June 2020. This identified the council could face a budget deficit of £32 million in 2020/21. The Urgent Business Committee's approval of the plan demonstrates a sound planning and budget setting process and an ability to respond to unforeseen risks arising. Within this process, the council revised its budget and reduced or delayed non-essential investment. All decisions made were clearly aligned with the council's service delivery plans and long-term strategies.

The Financial Resilience Recovery Plan included information on lost income, additional costs (including approved savings that were at risk of not being achieved) and expected grant funding related to Covid-19. It set out a range of scenarios and planned actions to enable the council to close the emerging deficit.

It also included information on the expected impact in relation to the HRA, ALEOs and the Common Good Fund

The council also put in place a range of measures intended to ensure ongoing scrutiny of its financial management. This included a Covid-19 control environment risk assessment and gap analysis, and Covid-19 specific risk registers to help manage and minimise specific risks in the short term. As at the end of December 2020, the council was projecting a deficit of £2.5 million for 2020/21. This reflected receipt of additional income from the Scottish Government and tight control on non-essential spend, demonstrating that the council has taken appropriate action to minimise the financial impact of Covid-19.

While the council has set a balanced budget for 2021/22, it will continue to face financial challenges in the future. The Medium-Term Financial Strategy indicates that, even after taking the decisions to implement the agreed service redesign, there will still be an accumulated funding shortfall of £55 million by 2025/26. This shortfall means that further work will be needed to identify service redesign opportunities to reduce costs and increase income where possible over the next two to five years.

## Cash and Short Term Investments (Liquidity)

Liquidity	31 March 2020 £'000	31 March 2021 £'000	Movement £'000
Cash and cash equivalents	101,542	119,699	18,157
Short term investments	50,454	40,277	(10,177)
Short term borrowing	(208,162)	(232,391)	(19,253)
<b>Current liquidity</b>	<b>(56,166)</b>	<b>(72,415)</b>	<b>(11,273)</b>

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 0.68:1 (0.73:1 in 2019-20), similar to the level before the bond was issued for capital investment in the City.

Within the BVAR, it was recommended that the Council review its longer-term financial plan which was established when Bond financing was raised.

# Financial sustainability (continued)

## Financial management

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 A1 stable on 18 January 2021, 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.

### *Our view – financial sustainability*

There is a robust approach to setting the annual, medium term and longer term financial plan.

There is an annual review of the treasury management strategy and prudential indicators.

The BVAR recommended that the Council ensure its longer-term financial strategy is reviewed.

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. There is significant uncertainty as a result of the impact of Covid-19, which the Council continues to monitor and assess.

# Governance and transparency

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

The Council continues to enhance and refine its governance arrangements, including revision from March 2020 as a result of Covid-19. During 2020-21 the Council undertook its annual review of the Scheme of Governance.

The ALEO Assurance Hub was due to review, by exception, the level of ALEO risk to the Council in May when the COVID-19 pandemic was at its peak. The pandemic response had implications for each ALEO as the Council and the city as a whole responded to national lockdown, including some ALEO staff being furloughed and their operations being significantly altered. In recognition of this rapidly evolving picture and the cancellation of the Audit, Risk and Scrutiny Committee meeting due in May as a result of the pandemic, Chief Officers met with each ALEO during lockdown to maintain oversight of their financial, risk and governance profiles. This included consideration of the impact of the pandemic. At its meeting on 30 June 2020, the Urgent Business Committee considered the Financial Resilience Recovery Plan and this included an assessment of the risk that ALEOs presented the Council. The ALEO Assurance Hub then reported to the Audit, Risk and Scrutiny Committee in October 2020, providing an update, by exception, on the governance arrangements, financial management and risk management frameworks for each ALEO.

 Full implementation of the TOM was achieved during 2020/21, with the wider transformation programme's overall aim being to deliver up to £125 million of accumulated savings by 2022/23. The effective redesign of services and a move to a commissioning-led approach, including the digital strategy, has resulted in wide ranging changes and allowed the council to successfully deliver the required savings needed to maintain its financial sustainability over the short to medium term.

## Committee Structures

In response to Covid-19, the council moved quickly to utilise its Urgent Business Committee. Between March and September 2020, the full council and most committees were put into abeyance and the Urgent Business Committee became the main decision making and scrutiny forum within the council. This involved:

- Introducing a temporary standing order to allow virtual attendance at meetings.
- Reducing the UBC membership from nine to five (only the group leaders).

The administration rejected a procedural motion from the opposition to revert to full membership in May 2020 pending a report to the UBC in June which was to consider various governance issues. Full membership was reinstated alongside the wider committee structure in August 2020.

## 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.

# Governance and transparency

## 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 consider that the Annual Governance Statement shows an appropriate and accurate reflection of the Governance arrangements at the Council including developments in response to Covid-19 and planned and ongoing developments at the Council and its ALEOs.

## 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 January 2021, to identify potential frauds or errors, with a deadline of 30 September 2021.

## Risk management

During 2020-21, Assurance Maps were developed to provide Audit, Risk and Scrutiny Committee with an overview of the sources of assurance across the Council.

The Risk Management Policy was adopted along with supporting documents including a Risk Appetite Statement.

The Council also established a group of Risk Champions that support the Corporate Risk Lead, Risk Managers and Owners to embed the Council's risk management processes.

Risk management is embedded throughout the Council in the way it is organised, conducts business and transacts.

## Local Area Network ('LAN')

KPMG chaired a meeting of the LAN on 10 March 2021, 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

The Internal Audit plan for 2020-21 was agreed by the Audit, Risk and Scrutiny Committee on 12 February 2020 and amended as agreed by the Urgent Business Committee on 6 May 2020, and the Audit, Risk and Scrutiny Committee of 9 December 2020. This reflected the advent of COVID and the impact this had on the ability to complete the Plan. Only 3 audits contained in the 2020-21 plan were completed by the end of the year along with 12 relating to 2019/20. A further 2 were with management for comment and 3 others were in progress.

The volume of work completed during 2020/21 is less than previous years, due to the impact of Covid 19 on the resources and capacity of the Internal Audit team and of audited Services.

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 2021."

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 37 as at 31 March 2021 this is a decrease during 2021 compared to 39 as at 31 March 2020 and comparable to 14 as at 31 March 2019.

## 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.

We consider that the Council conducts its business transparently.

# Governance and transparency (continued)

**DRAFT**

## ***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.

In 2020-21 it has continued development of risk management arrangements, self assessment of governance, committee effectiveness and review of policies.

Rewards made to governance in respect of operating during Covid-19 were subject to scrutiny and challenged by members, reported transparently and reassessed by officers.

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.

We are required to assess and provide conclusions in the Annual Audit Report in respect of four wider scope dimensions: financial sustainability; financial management; governance and transparency; and value for money. We set out an overview of our approach in the audit strategy. Given the delivery of the Council's BVAR alongside this year's financial statement audit, we summarise here its key messages:

- Aberdeen City Council has demonstrated significant improvements in key areas since its 2015 Best Value report. A major transformation programme has led to an effective organisational structure and improved governance and reporting arrangements. The council has delivered challenging savings targets, and ambitious capital projects, while delivering services within budget. Its financial management arrangements are well developed alongside governance requirements associated with its bond holding.
  - The council has ambitious plans for the city, which are clearly aligned to Community Planning Aberdeen's (the CPP) Local Outcomes Improvement Plan and its vision for the area.
  - Performance is reported against the CPP's Aberdeen Outcomes Framework. The CPP and council have made mixed progress in improving outcomes. The council's performance is improving in some key services, and it has taken steps to address performance issues in services such as education and housing. But the pace of improvement has been slower than that of some other councils and needs to increase.
  - During this period of change, the council's Corporate Management Team has shown clear leadership in driving the improvements, successfully changing the organisational culture and working closely with officers to embed change.
  - Councillors and officers work well together. The administration set out a clear vision and this continues to be central to how it participates in, and leads, activities. It is committed to and supports the ongoing transformation programme.
  - There is broad political support among councillors for the vision and supporting priorities, giving the council a long-term strategic direction. There are recognised tensions between the administration and opposition, but the political balance of the council, and delegation to officers, has limited the impact of this on council business. Nevertheless, greater cross-party working would benefit the council and residents.
  - The council works well with its partners and communities. Residents and stakeholders are regularly consulted on priorities and specific services. There are also examples of community engagement and community empowerment across the council and CPP.
  - The council has structured processes for using self-assessment, performance information, benchmarking and feedback to identify improvement projects. In some instances, recent projects are focused on longer-term outcomes and have yet to result in improved performance.
  - The council has developed its performance management arrangements and public performance reporting, making greater use of real-time data, but how overall progress against priorities is reported could be simplified to further aid public understanding and scrutiny.
  - Over the last four years, the council has successfully delivered savings and remains on track to meet its £125 million five-year target. This has largely been managed through digital transformation and staff reductions. But it has also had to rely on non-recurring savings and has used reserves to fund transformation projects. Looking forward, the council has committed to £131 million of savings over the next seven years as part of its ongoing transformation.
  - The council has reacted well to challenges from the Covid-19 pandemic since March 2020. Governance arrangements were restructured quickly, and service delivery was adapted and facilitated by good working relationships with partners and the use of digital technologies.
- In addition, in respect of value for money, there remains a robust performance management system with targets and trend analysis. The use of options appraisal, scrutiny, challenge and, as recommended in the BVAR, lessons learned reporting, supports achievement of value for money.



# Appendices

## Appendix one

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

Type	Response
Our draft management representation letter	We requested one specific representation regarding agency / principal classification in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2021.
Adjusted audit differences	There were four adjusted audit differences with a decrease deficit impact of £3.6 million. See appendix three.
Unadjusted audit differences	There are three unadjusted differences: related to depreciation of PPE, value of PPE and bond accounting. 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 13) arising from the audit were discussed, or subject to correspondence, with management.

# Additional report relating to EU Public Interest Entities

Type	Response
<b>Our declaration of independence</b>	 No matters to report. The engagement team has complied with relevant ethical requirements regarding independence.
<b>Key audit partner(s)</b>	 We have identified each key audit partner at page three in our Audit Strategy report dated 15 February 2021.
<b>Independence of external experts engaged by KPMG and non-KPMG auditors</b>	 We have not engaged external experts or engaged non-KPMG auditors for the performance of aspects of our group audit.
<b>Communications with audit committee and management</b>	 We have described the nature, frequency and extent of communication with the ARSC and management in our Audit Strategy report dated 15 February 2021.
<b>Scope and timing of the audit</b>	 We have described the scope and timing of the audit in our Audit Strategy report dated 15 February 2021.
<b>Audit methodology</b>	 Our audit methodology is described at page five and six in this report.
<b>Valuation methods</b>	 On page ten to 12 (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.
<b>Going concern assessment</b>	 There are no significant matters affecting the entity's ability to continue as a going concern.
<b>Requested explanations and documents</b>	 No matters to report. All requested explanations and documents were provided by management.

Type	Response
<b>Materiality</b>	 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 15 February 2021.
<b>Non-compliance with laws and regulation or articles of association</b>	 No actual or suspected non-compliance with laws and regulation or articles of association were identified during the audit.
<b>Significant deficiencies in internal control</b>	 There are no significant deficiencies to report in this report or our report dated 15 February 2021.
<b>Significant difficulties</b>	 No significant difficulties were encountered during the audit.  The significant matters (pages eight to 22) 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.
<b>Non-KPMG component auditors</b>	 We did not rely on the work of any non-KPMG component auditors in 2020-21.
<b>Management's approach to consolidation</b>	 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. <b>We have yet to audit the consolidation.</b>
<b>Independence – Relationships and audit fees</b>	 No relationships have been identified between the firm, and the entity that, in our professional judgement, may reasonably be thought to bear on independence. We received £273,230 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.

# Auditor independence

## 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 2021 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:	2020-21 continuing (inc VAT) £	2019-20 (inc VAT) £
Audit of the Council's financial statements	264,230	264,710
Audit of subsidiaries (Aberdeen City Council Charitable Trusts)	9,000	10,560
<b>Total audit services</b>	<b>273,230</b>	<b>275,270</b>
Non-audit services	-	-
<b>Total</b>	<b>273,230</b>	<b>275,270</b>

# Auditor independence

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 £TBC to the Council in the year ended 31 March 2021, 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 2020-21 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.

**In addition to the below**, a presentation amendment was made to increase gross income and expenditure for 2020-21 by approximately £44 million and re-state the prior year comparative to that as reported in 2019-20, regarding Aberdeen Western Peripheral Route. This had no net impact on the CIES. **We will review management's accounting analysis as noted on page 28**. The Council also identified an additional £2.8 million income due to the IJB, which the Council in turn was entitled to from a third party. Associated income and expenditure was adjusted.

Unadjusted differences are shown on the following page and are still being confirmed.

Adj	Nature of adjustment	Balance sheet		Income and expenditure account	
		£'000 DR	£'000 CR	£'000 DR	£'000 CR
1	<b>Capital Commitments:</b> The capital commitments disclosure did not disclose the commitment for the new Milltimber Primary School despite being over the disclosure threshold of £5 million.				
2	<b>Remuneration report:</b> The following errors were identified in the Remuneration Report. <ul style="list-style-type: none"> <li>Table 8 Pension Benefits - Senior Employees - the figure of the chief executive contains a transposition error and should be £31,001, not £30,001.</li> <li>Pension Scheme Contribution Rates - the bandings for the Pension Scheme Contribution Rates have not been updated since prior year and are therefore incorrect.</li> <li>Table 1 Remuneration Bands - the correct number of employees for the £50,000-£54,999 band should be 230 and the correct number of employees for the £55,000-£59,999 band should be 171.</li> </ul>				
3	<b>Covid-19 grants:</b> the following items should be corrected in order to be in line with the LASAAC guidance on Accounting for Covid-19 grants: <ul style="list-style-type: none"> <li>School Transport – Capital value £13,082.99, treated as agency &amp; recommendation is principal</li> <li>Self Isolation – £118,000, treated as principal &amp; recommendation is agency</li> <li>COVID-19 £500 payments to council staff – £882,830.04, treated as principal &amp; recommendation is agency.</li> <li>Free school meals – TBC from principal to agency.</li> </ul>				

# Audit differences -unadjusted

The table below lists the unadjusted audit differences identified during the course of our 2020-21 audit procedures. These adjustments are not considered material individually, and we will consider the total quantum once the values are finalised.

Adj	Nature of adjustment	Balance sheet		Income and expenditure account	
		£'000 DR	£'000 CR	£'000 DR	£'000 CR
1	Property, Plant and Equipment	£3,653			
	Depreciation				£3,653
	<b>Depreciation:</b> During our review of the depreciation it was noted that the ICT Infrastructure asset depreciation was not calculating correctly due to the original asset remaining useful life being used in the system for subsequent additions to the asset. KPMG have recalculated the depreciation of the asset as if each year a new ICT infrastructure asset were to be created with a useful life of 5 years. This results in their being an overstated of the accumulated depreciation on the ICT Infrastructure asset of £3,653,000. We therefore propose the adjustment.				
2	Property, Plant and Equipment	TBC			
	Revaluation gain				TBC
	<b>Valuation of P&amp;J Live:</b> At the time of drafting, we anticipate receipt of an updated Council valuation of P&J Live as at 31 March 2021. We expect this to show some reduction in value compared to the value as at 31 March 2020 and 30 November 2020. We will compare this to the depreciated amount carried in the financial statements and subject to it being less than materiality, management propose not making any adjustment.				
3	Interest Payable				1,863
	Bond Carrying Value	1,863			
	<b>Bond accounting:</b> While management updated the model previously used to calculate the entries required annually in respect of bond accounting, following audit discussions and an unadjusted difference identified in the prior year, at the time of drafting we consider that there remains some inconsistencies in the way the model calculates the required journals. The expected difference above is based on comparison of the carrying amounts to a validation model prepared by management to ensure the accuracy of accounting. At the time of drafting we are reviewing the operation of the revised model.				

# 2020-21 recommendations

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We will incorporate management responses prior to finalisation of the draft.

Finding(s) and risk(s)	Recommendation	Agreed management actions / audit update 2020-21
<b>1. Revaluation review not sufficiently precise</b> <i>Audit dimensions: financial management – Accounts preparation</i> <p>Although an Accountant reviews the valuations provided by the Council's valuer and district valuer and challenges any obvious error or significant changes using a set threshold, we consider that they do not have sufficient information/expertise to challenge the indices, market valuations, size of land / buildings, assumptions on cashflows etc.</p> <p>We therefore consider that while it enhances the control environment, it is not carried out with sufficient expertise or precision to be relied upon or considered effective to support the audit process.</p>	<p>Auditing standards require Auditors to identify a management control where there is a significant audit risk. In the case of Revaluation Review Risk we have not been able to identify a management control which is carried out to an acceptable level of expertise.</p> <p>We recommend that should Management wish to meet this requirement they will need to carry out a predictive review of the methodology and assumptions that are being proposed to calculate revaluation each year.</p> <p>This would likely require the use of an additional professional valuer, perhaps on a sample basis. We do not commonly find this occurs across our client base.</p> <p>This weakness did not impact upon our planned audit approach.</p>	<b>Grade two</b> Management response: Implementation date: Responsible Officer:
<b>2. Depreciation of assets where additions are grouped</b> <i>Audit dimensions: financial management</i> <p>When completing the depreciation SAP for Aberdeen City Council, the depreciation for one of the disaggregated portions was above our acceptable difference.</p> <p>Investigation identified that this was caused by one asset, ICT Installation, fully depreciating in the year. When enquired with management this was because the asset had reached the end of its useful life in their system but the asset had been added to over a number of years, therefore the depreciation was being calculated incorrectly based on only the initial capitalisation date.</p> <p>We confirmed this did not apply to other assets.</p>	<p>For assets included in the register where the additions are grouped together but do not form the same physical asset, a new asset should be created in AIRS for each years' addition.</p>	<b>Grade three</b> Management response: Implementation date: Responsible Officer:

# 2020-21 recommendations

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Finding(s) and risk(s)	Recommendation	Agreed management actions / audit update 2019-20
<b>3. Management Review of Pension Assumptions</b> <i>Audit dimensions: financial management – Accounts preparation</i>		<b>Grade two</b>
<p>Testing of the Management review of Pension assumptions identified that while the control environment has strengthened, it does not meet the high bar required to enable KPMG to rely upon it.</p> <p>Auditing standards require auditors to identify a management control where there is a significant risk. In the case of the defined benefit pension liability significant risk, we have not been able to identify a management control which is carried out to an acceptable level of expertise as required by the auditing standards.</p> <p>Due to the specialist nature of pension assumptions, we consider that the officer carrying out the review does not have the necessary specific expertise to fully review and challenge the assumptions and estimates that the Actuary suggested for the Defined Benefit Obligations.</p>	<p>We recommend that should management wish to meet this requirement, that they will need to carry out a predictive review of the methodology and assumptions that are being proposed to calculate the net liability of the defined benefit pension scheme held by the Council.</p> <p>This would require the services of an additional independent actuary.</p> <p>This control point does not impact upon our planned audit approach and is a common audit finding across our portfolio.</p>	<p>Management response:</p> <p>Implementation date:</p> <p>Responsible Officer:</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 2019-20, 2018-19, 2017-18 and 2016-17 audits and their current status. **We have not yet verified management's status update.**

Year	Number of recommendations	Fully Implemented	In progress at June 2021
2019-20	3	3	n/a
2018-19	4	2	2
2017-18	Considered superseded by 2018-19		
2016-17	1	0	1

Finding(s) and risk(s)	Recommendation	Agreed management actions / audit update 2019-20
<b>1. Year end Accruals process</b> <i>Audit dimensions: financial management – Accounts preparation</i>		<b>Grade two</b>
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>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><b>Implementation Date:</b> Deadline 31 December 2020.</p> <p><b>2020-21 management update (complete):</b></p> <p>The capital accruals process has been reviewed and updated for the 2020-21 Accounts. This recommendation is considered to be complete.</p>

# 2019-20 recommendations

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<b>2. TECA commercial arrangements</b> <i>Audit dimensions: financial management</i>		<b>Grade two</b>
Testing of the detailed and complex commercial agreements that 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>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><b>Implementation date:</b> March 2021 for deadline.</p> <p><b>2020-21 management update (complete):</b></p> <p>Despite the TECA site working to a limited schedule during 2020/21 due to the Covid-19 restrictions P&amp;J Live has been utilised by the NHS as a vaccination centre, this has minimised cost and maximised benefit by utilising the space available whilst also promoting the P&amp;J Live arena. The hotels have been operational at different times throughout the year and have supported a comparatively high number of customers, although well down on what would be expected. These arrangements will continue to be reviewed as lockdown is eased further and when the TECA site opens fully for business again. Council officers have had an ongoing dialogue with operators regarding the financial situation throughout this period and remain committed to working with operators to maximise benefit to the Council.</p> <p>The post project evaluation will be reported to Committee once the AD Plant has been completed in 2021/22, which was delayed due to the pandemic restrictions during the year.</p>
<b>3. Management Review of Pension Assumptions</b> <i>Audit dimensions: financial management – Accounts preparation</i>		<b>Grade three</b>
Testing of the Management review of Pensions assumptions identified that for the purpose of KPMG the officer carrying out the review did not have the necessary specific expertise to fully review and challenge the assumptions and estimates that the Actuary suggested for the Defined Benefit obligations.	<p>Auditing standards require Auditors to identify a management control where there is a significant audit risk. In the case of the defined Benefit Pension Liability Risk we have not been able to identify a management control which is carried out to an acceptable level of expertise.</p> <p>We recommend that should Management wish to meet this requirement they will need to carry out a predictive review of the methodology and assumptions that are being proposed to calculate the net liability of the Defined Benefit Pensions held by the Council.</p> <p>This weakness did not impact upon our planned audit approach.</p>	<p><b>2020-21 management update (complete):</b> Management have considered this financial control and have explored the methodology and reviewed the financial assumptions. A paper was prepared to evidence the review of the pension assumptions for the 2020/21 Annual Accounts and this review will be now conducted annually.</p> <p>Management now consider this recommendation to be complete.</p>

# Prior year recommendations (continued)

## 2018-19

Finding(s) and risk(s)	Recommendation	Agreed management actions / update 2019-20
<b>1. Regular user access appropriateness review</b> <i>Audit dimensions: governance and transparency</i>		<b>Grade one</b>
<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"> <li>— Management should perform a periodic review of user access assigned to ensure that this is appropriate at the application, database and operating system level.</li> <li>— This should include an assessment of user access across the production, development and test environments to ensure appropriate segregation of duties exist.</li> <li>— Where inappropriate access is identified, this should be investigated and removed in a timely manner.</li> <li>— The review should be formal, documented and retained as evidence for audit purposes.</li> </ul>	<p><b>Original response:</b> 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><b>Implementation date:</b> 31 August 2018</p> <p><b>Responsible officer:</b> Incident &amp; Problem Co-ordinator, in conjunction with System Owners.</p> <p><b>Status update 2018-19:</b> 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><b>Status update 2019-20:</b> 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> <p><b>Status update 2020-21:</b></p> <p>User access will be reviewed on a regular basis by the relevant Service. Information from HR will be used to identify staff leavers, and Line Managers will be asked to assess and identify appropriate access for each employee.</p> <p>Finalisation of outstanding actions is to be escalated and overseen by the Risk Board to ensure completion during 2021/22.</p>

# Prior year recommendations (continued)

## 2018-19

Finding(s) and risk(s)	Recommendation	Agreed management actions / update 2019-20
<b>2. Assignment of highly privileged access and monitoring of access</b> <i>Audit dimensions: governance and transparency</i>		<b>Grade one</b>
<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"> <li>— The privileged access assigned allows users within the business to perform activities that should be segregated and/or proactively logged and reviewed to ensure appropriate; and</li> <li>— 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</li> <li>— A shared system administrator account is used for Airs by two members of business staff (not logged).</li> <li>— Risk: - Where privileged user access is not robustly controlled the risk is increased that:</li> <li>— unauthorised access is gained to process erroneous or fraudulent transactions, make changes to data, and system settings;</li> <li>— unauthorised changes are not detected and appropriate action taken;</li> <li>— IT / operational system downtime is experienced; and</li> <li>— the system does not function as intended by management.</li> </ul>	<p>Management should ensure that:</p> <ul style="list-style-type: none"> <li>— A formal, documented and agreed policy is established that guides the Council's management of highly privileged access.</li> <li>— The sharing of the user accounts is investigated, risk assessed and the root cause is understood.</li> <li>— User accounts are only used by the approved and appropriate persons.</li> <li>— 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.</li> <li>— 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.</li> <li>— The logs are secured and retained in a segregated area that cannot be accessed by the users of the IT systems.</li> </ul>	<p><b>Original response:</b> 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><b>Implementation date:</b> 31 August 2018</p> <p><b>Responsible officer:</b> Incident &amp; Problem Co-ordinator, in conjunction with System Owners</p> <p><b>Status update 2018-19:</b> 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><b>Status update 2019-20:</b> 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> <p><b>Status update 2020-21:</b> Finalisation of outstanding actions is to be escalated and overseen by the Risk Board to ensure completion during 2021/22.</p>

# Prior year recommendations (continued)

## 2018-19

Finding(s) and risk(s)	Recommendation	Agreed management actions / update 2019-20
<p><b>3. Changes to IT systems</b></p> <p><i>Audit dimensions: governance and transparency</i></p> <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"> <li>— user access is not reviewed on a periodic basis (as identified by internal audit in the Finance Systems review );</li> <li>— passwords to highly privileged user accounts are shared (finding 2); and</li> <li>— access to the production, test and development IT system environments are not segregated (this finding).</li> </ul>	<p>Management should ensure that:</p> <ul style="list-style-type: none"> <li>— Access to the production, test and development IT system environments are appropriately segregated, and any exception is risk assessed and approved.</li> <li>— 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.</li> </ul>	<p><b>Grade two</b></p> <p><b>Original response:</b> 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><b>Implementation date:</b> 31 August 2018</p> <p><b>Responsible officer:</b> Incident &amp; Problem Coordinator, in conjunction with System Owners</p> <p><b>Status update 2018-19:</b> 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><b>Status update 2019-20:</b> 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.</p> <p><b>Status updated 2020-21:</b> Complete – not verified</p>

# Prior year recommendations (continued)

## 2018-19

Finding(s) and risk(s)	Recommendation	Agreed management actions / update 2019-20
<p><b>4. Password parameters configuration</b></p> <p><i>Audit dimensions: governance and transparency</i></p> <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"> <li>— The Infosmart application does not have any password parameters assigned for the system administrator's accounts (the Council specifies these should be enforced).</li> <li>— The Airs application system administrator password has never changed (the Council specify these should be changed).</li> <li>— The Northgate application minimum password length is six characters (the Council specify this should be eight characters).</li> </ul> <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"> <li>— Management should review the password parameters and ensure that they are appropriate at the application, database and operating system level.</li> <li>— 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).</li> </ul>	<p><b>Grade two</b></p> <p><b>Original response:</b> 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><b>Implementation date:</b> 31 August 2018</p> <p><b>Responsible officer:</b> Incident &amp; Problem Co-ordinator, in conjunction with System Owners</p> <p><b>Status update 2018-19:</b> 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><b>Status update 2019-20: complete</b></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>

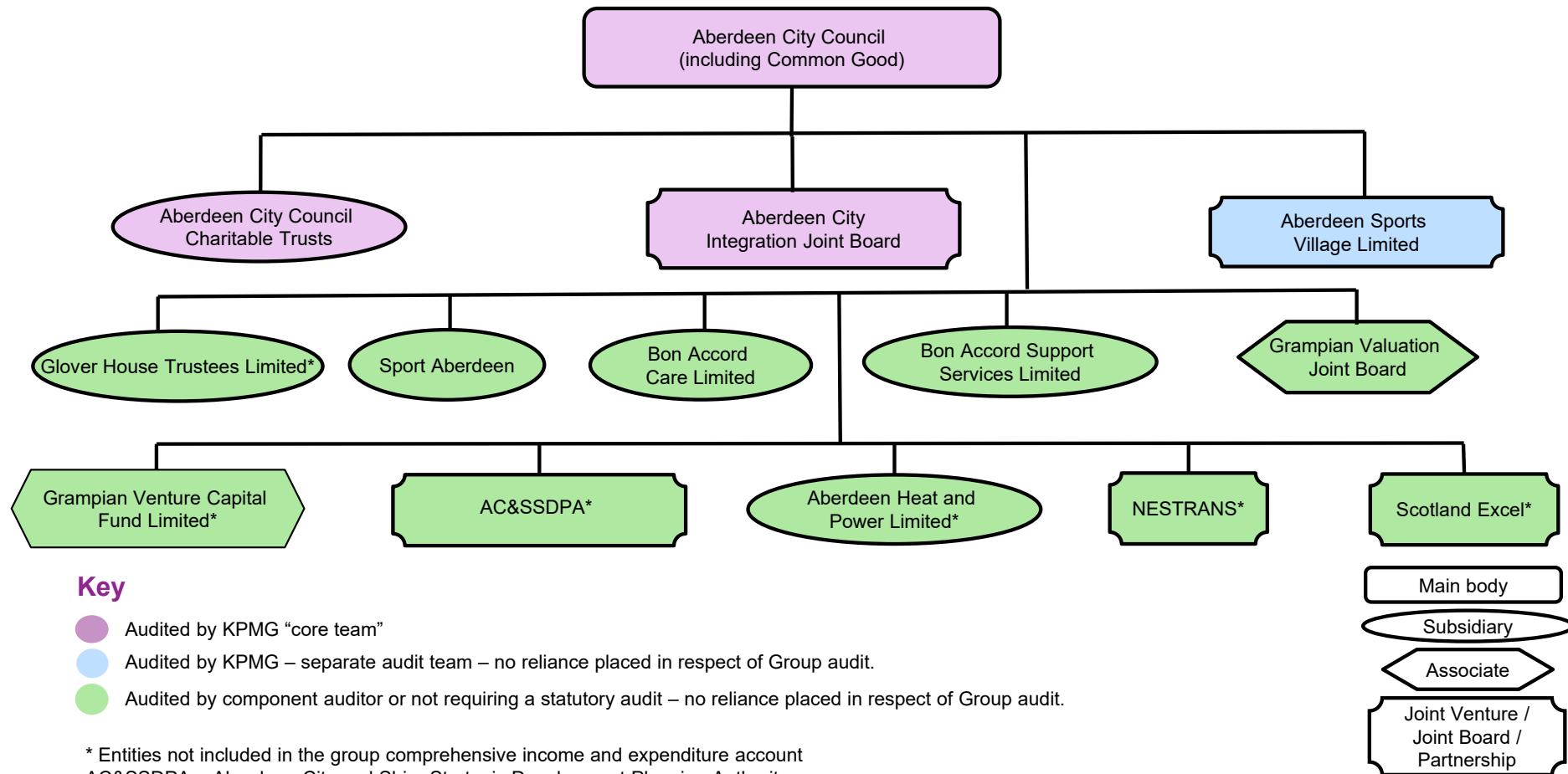
# Prior year recommendations (continued)

## 2016-17

Finding(s) and risk(s)	Recommendation	Agreed management actions / audit update 2019-20
<p><b>1. Complex accounting treatments</b></p> <p><i>Audit dimensions: financial management</i></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><b>Status update 2017-18:</b> 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><b>Grade two</b></p> <p><b>Responsible officer:</b> Senior Accountant.</p> <p><b>Status update 2018-19:</b> 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><b>2019-20 Update:</b></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> <p><b>Status update 2020-21 (in progress):</b></p> <p>Management continued to develop their approach to the recommendation and this year considered the effect of the Covid Grants and the implications for the 2020/21 Annual Accounts.</p> <p>In other aspects there remains scope for greater consideration of complex accounting areas in advance of the audit.</p>

# Group financial statements

Page 59



# Appointed auditor's responsibilities

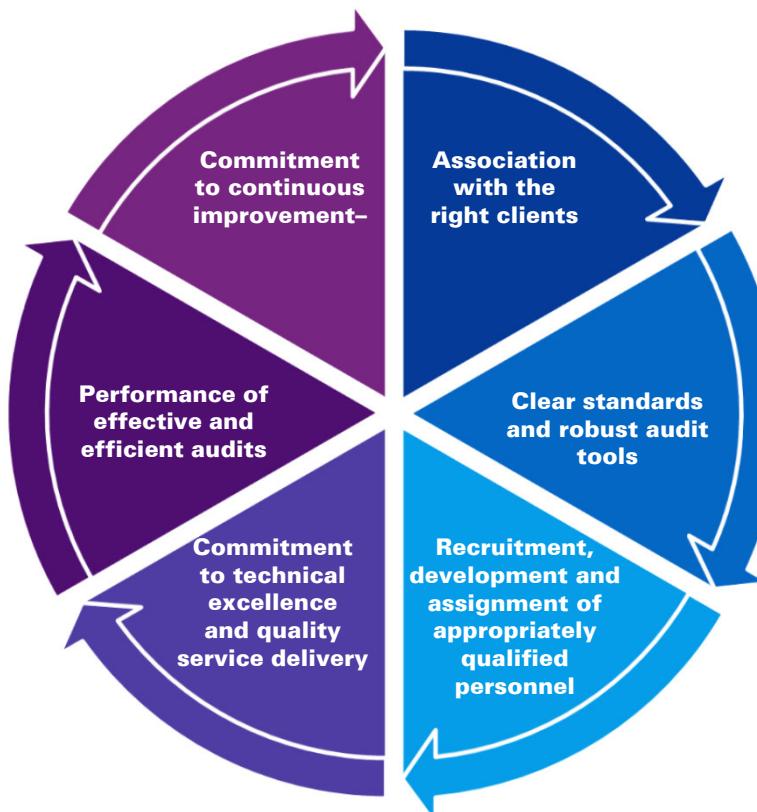
AREA	APPOINTED AUDITOR'S RESPONSIBILITIES	HOW WE HAVE MET OUR RESPONSIBILITIES
Statutory duties	Undertake statutory duties, and comply with professional engagement and ethical standards.	Appendix two outlines our approach to independence.
Financial statements and related reports	<p>Provide an opinion 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 six 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 36 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"> <li>- Effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;</li> <li>- Suitability and effectiveness of corporate governance arrangements;</li> <li>- Financial position and arrangements for securing financial sustainability;</li> <li>- Effectiveness of arrangements to achieve best value; and</li> <li>- Suitability of arrangements for preparing and publishing statutory performance information</li> </ul>	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

# Pension assumption benchmarking

Level of prudence compared to KPMG central assumptions



Overall assessment of assumptions for IAS 19 for audit consideration								
Underlying assessment of individual assumptions		Methodology	Consistent methodology to prior year?	Compliant methodology with IAS 19?	Employer	KPMG central	Assessment vs KPMG central	Significant assumptions
Discount rate	AA yield curve	✓	✓		2.10%	1.98%	●	✓
CPI inflation	Deduction to inflation curve		✓		2.70%	2.83%	●	✓
Salary increases	Employer best estimate	✓	✓	CPI plus 1.5%	In line with long-term remuneration policy		●	✓
Pension increases	In line with CPI + 0.1%	✓	✓	2.80%	2.71%		●	
Mortality	Base tables	In line with most recent Fund valuation	✓	✓	Non-Pens: 121%/101% (M/F)Pens: 114%/101% (M/F) of the SAPS Series 3 base tables (with middle tables for females)	In line with best-estimate Fund experience	●	✓
	Future improvements	In line with most recent Fund valuation			CMI 2019 projections model, 1.75% long-term trend rate, smoothing factor of 7.5 and default initial addition parameter	CMI 2020 projections model, 1.25% long-term trend rate and default smoothing and Company-specified initial addition parameters	●	
Other demographics	In line with most recent Fund valuation	✓	✓	50% of members commute maximum tax-free cash and 50% commute 3/80ths cash sum	In line with Fund experience		●	



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# Agenda Item 8.7

## SUBMISSION OF LATE REPORT

NAME OF COMMITTEE	: Audit Risk and Scrutiny Committee
DATE OF COMMITTEE	: 30 June 2021
TITLE OF REPORT	: Audited Annual Accounts 2020/21

### Please explain why this report is late.

The audit of the Annual Accounts required to be substantially completed before the report could be finalised, and this was reached on 28.06.2021, therefore the report could not fit into the normal committee cycle. Meeting this timescale means that there is a clearer and better understanding of the Council finances early in the year and supports our financial resilience.

### Please explain:

- why this report must be submitted to the next meeting of the Council/Committee; and
- why it cannot be submitted to a meeting of the Council/Committee at a later date.

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Director Steven Whyte

Date 28.06.2021

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**The following section must be completed by the Convener where a report must be submitted less than three clear days<sup>1</sup> before a meeting of the Council/Committee.**

**By law, an item of business must be open to inspection by members of the public for at least three clear days before a meeting.**

**An item of business not open to inspection for three clear days may be considered at a meeting only by reason of special circumstances, which shall be specified in the minutes, and where the Convener is of the opinion that the item should be considered as a matter of urgency.**

**Please explain why you are of the opinion that the item should be considered as a matter of urgency.**

The audit of the annual accounts is an important element of managing the Council's finances, the unaudited accounts have previously been provided to the Committee and therefore will be generally familiar to all members. They have also been subject to a formal public inspection period and have been available on the Council website since May 2021. In line with robust financial management arrangements consideration of the annual accounts for 2020/21 is good practice ahead of the first quarterly reporting of the new financial year, it provides certainty and assurance to the Council.

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Convener Councillor Alex Nicoll

Date 28 June 2021

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<sup>1</sup> For example if a letter is posted on Monday advising of a meeting on Friday, it gives 3 clear days notice (i.e. Tuesday, Wednesday, Thursday). Saturday, Sunday and public holidays are included within the definition of Clear Days.

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## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit Risk & Scrutiny Committee
<b>DATE</b>	30 June 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Audited Annual Accounts 2020/21
<b>REPORT NUMBER</b>	RES/21/160
<b>DIRECTOR</b>	Steven Whyte
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Lesley Fullerton
<b>TERMS OF REFERENCE</b>	4.1

---

### **1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to provide Elected Members with an overview of the Council's 2020/21 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. RECOMMENDATION(S)**

That the Committee :-

- 2.1 approve the Council's audited Annual Accounts for the financial year 2020/21 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 2020/21, 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**

- 3.1.1 On 9 December 2020 the Audit Risk and Scrutiny Committee received and noted the contents of a report, "Annual Accounts 2020/21 – Action Plan" which provided high level information and key dates in relation to the production of the 2020/21 Annual Accounts.
- 3.1.2 The key dates contained within the above report were: -

31 March 2021	End of the financial year 2020/21
Jan – June 2021	Information from Group Entities (including ALEO's)
16 April 2021	Public Notice for the Public Inspection Period to be issued

10 May 2021	Signing of unaudited Annual Accounts by the Proper Officer
12 May 2021	Audit, Risk and Scrutiny Committee to consider the unaudited Annual Accounts
12 May 2021	Submission of the Annual Accounts to Auditors
12 May – 2 June 2021	Public Inspection Period for the unaudited Annual Accounts
30 June 2021	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
30 June 2021	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader.
30 June 2021	Statutory deadline for the Proper Officer to sign the unaudited Annual Accounts, submit to the Auditor and publish on the website, along with the accounts of all subsidiary bodies
17 July 2021 (tbc)	Deadline for submission of the unaudited Whole of Government Accounts (WGA) to the Scottish Government
30 September 2021	Deadline for submission of the signed audited Annual Accounts to the Auditor
30 September 2021	Deadline for submission of the audited WGA to the Scottish Government
31 October 2021	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 2021	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

- 3.1.3 On 12 May 2021 this Committee considered the unaudited Annual Accounts and they were signed by the Chief Officer - Finance (as Proper Officer).
- 3.1.4 The unaudited Annual Accounts were available for public inspection for the period 12 May – 2 June 2021.
- 3.1.5 Having considered the reports from the External Auditor and taken into account their audit opinion (in a previous report on the agenda) the committee must now consider the audited Annual Accounts and approve them for signature.
- 3.1.6 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 considered by City Growth and Resources Committee on 11 May 2021. 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 2021.

- 3.2.3 KPMG, the Council's external auditors, have now substantially 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 will be 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 of 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 £82m. This did not affect the Council's Usable Reserves.
- 3.2.5 A further adjustment was made to service income and expenditure to correctly identify ALEO revenue, and immaterial amendments were made to creditors, debtors, revenue and reserves to update the Covid grants position per guidance received from LASAAC after date of submission of draft Annual Accounts to Committee.
- 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 (£105k) to the overall financial position of the Council as reported to Urgent Business Committee on 11 May 2021.
- 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 31 October 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 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
<b>Strategic Risk</b>	n/a	n/a	n/a
<b>Compliance</b>	Risk of legislation not being followed	L	Staff working with external audit to ensure compliance with legislation
<b>Operational</b>	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
<b>Financial</b>	There is a risk that the external audit reveals errors &/or adjustments	L	Officers discuss with auditors throughout the external audit process
<b>Reputational</b>	Information contained in the Annual Accounts may cause damage to the Council's reputation	L	Independent examination by senior staff and external auditors
<b>Environment / Climate</b>	n/a	n/a	n/a

## 7. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>	The proposals within this report provide financial information which supports all services and programmes provided by the Council.
<b>Aberdeen City Local Outcome Improvement Plan</b>	
Prosperous Economy Stretch Outcomes	The annual accounts for 2020/21 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 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 2020/21 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.
<b>Regional and City Strategies</b>	The Council's Annual Accounts provides financial information which supports these strategies.
<b>UK and Scottish Legislative and Policy Programmes</b>	Government guidance and policy is continually being updated and the Council continues to comply with the legislation updates.

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	Not required

<b>Data Protection Impact Assessment</b>	Not required
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## **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 2020/21

## **10. APPENDICES**

Appendix A - Audited Annual Accounts 2020/21

Appendix B - Aberdeen City Council Registered Charities audited Annual Report and Accounts 2020/21

## **11. REPORT AUTHOR CONTACT DETAILS**

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<b>Title</b>	Finance Operations Manager
<b>Email Address</b>	lfullerton@aberdeencity.gov.uk
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**AUDITED ANNUAL ACCOUNTS  
FOR THE PERIOD  
1 APRIL 2020 TO 31 MARCH 2021**

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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 2020/21 and understand our financial performance for the year to 31 March 2021. 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 2020/21 meet the requirements of the Council and of the London Stock Exchange (LSE), and provide financial transparency for citizens of the City and beyond. The Council has now embedded our early close procedures to enable the unaudited Annual Accounts to be produced by the end of April 2021 and the audited Annual Accounts by the end of June 2021.

This publication represents the Annual Accounts of both Aberdeen City Council (the Council) and its group for the year ended 31 March 2021, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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.

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. Every aspect of society has continued to be affected by the exceptional circumstances of the Covid-19 pandemic throughout 2020/21. Of course, the personal impact has been severe and tragic for many people. The broader impact on the city of Aberdeen, and the Council's role in supporting the city and its people, will continue to be felt for the foreseeable future. From the spring of 2021, with the initial roll-out of the vaccination programme, there is a planned lessening of restrictions into Summer 2021, but the continued global uncertainty continues. That has resulted in reduced economic confidence for Aberdeen City. The implications as they arose throughout 2020/21 have been incorporated throughout the document and where possible, future impacts anticipated.

The impact of the Covid-19 outbreak was 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 and that continues for 2020/21.

Due to the Covid-19 outbreak, as with last financial year, the Local Authority Accounts (Scotland) Regulations 2014 (2014 regulations) have been amended in respect of approval and publication dates for the 2020/21 annual accounts. Under Regulation 5 of The Local Authority (Capital Finance and Accounting)(Scotland)(Coronavirus) Amendment Regulations 2021 dates for publishing the Annual Accounts 2020/21 may be extended up to 15 November 2021. The Council has determined again that it wishes to continue to work to the previously planned timetable.

The External Audit Strategy was reported to Audit, Risk and Scrutiny committee on 24 February 2021. This sets out risks that may require to be mitigated in the preparation of the 2020/21 accounts that will be reviewed by External audit reflecting the impact of Covid-19, notably in relation to asset valuations and accounting for Covid grants. Full details can be viewed at the Council's website in Committee reports for the meeting on the stated date.

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. Notably we have considered the guide issued by Institute of Chartered Accountants in England and Wales on the impact of Covid-19 in assessing materiality.

In response to Covid-19, the Scottish Government confirmed on 9 October 2020 the option to use financial flexibilities to support the Council's financial position. Updates were provided to the City Growth and Resources Committee in the Quarterly Monitoring reports in October and February. These flexibilities have not been used in 2020/21 but the Council wishes to keep open the option to use them in future financial years.

For the 2020/21 Annual Accounts, the requirements of the new IFRS 16 for Lease Accounting have been deferred again for a further final 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 from 2020/21

Aberdeen City Council is the main provider of services to the City's 228,670 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 2020/21, the Operations Function was our largest spending responsibility, accounting for £258 million of our total £415 million net service expenditure. This Function provided Education and Integrated Children's Services to over 23,610 children at a cost of £203 million and Operational and Protective services including roads and waste collection services at a cost of £55 million. £92 million was invested in Adult Social Work services as part of the Integration Joint Board arrangement with NHS Grampian. £37 million was spent on our Customer Function that includes housing support and customer facing services. The balance of £27 million was spent on the Resources and Commissioning Functions. £93 million was spent on Council Housing – managing and maintaining 22,554 homes.

In 2020/21, we received income of £503 million, comprising £164 million and £123 million raised locally through non-domestic rates and council tax respectively, whilst £216 million was received from government grants.

### 1. The Impact of the Global Pandemic

#### On the City Council's Revenue Position

In setting its 2020/21 General Fund (GF) budget on 3 March 2020, against a backdrop of reducing revenue grant, £29.7 million of budget savings and increased income targets were approved; in addition, council tax was increased by 4% raising additional revenue of £4.9m. The gap was proposed to be met by redesign of Council services to address demand, in line with a commissioning led approach as described in the report. The budget report and minute sets out the detailed proposals, risks and assumptions behind the future financial proposals.

The Covid-19 outbreak quickly became significant, a Financial Resilience paper was presented to Urgent Business Committee on 20 March 2020. This described the initial financial measures that the Council was putting in place to support the resilience of the city, by supporting the financial resilience of the City's 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.

Throughout the course of the pandemic the Scottish Government providing funding through local authorities to assist individuals, the self-employed and businesses throughout the City. The Council acted as an agent by issuing £52.767m on behalf of the Scottish Government, as detailed in Note 19 – Agency Services on page 95 and distributed a further £47.840m by way of service and general grant funding.

Further to that report an impact assessment of the financial implications of the pandemic was presented to Urgent Business Committee on 6 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.

The Financial Recovery Plan presented to Urgent Business Committee on 30 June 2020 noted the estimated impact of the Covid-19 pandemic to the Council for 2020/21 as £25.8m. To ensure a balanced budget position could be reached, several options were considered to close the net deficit position. The Council's financial position was monitored throughout 2020/21 in line with the Council's usual quarterly monitoring procedures with revised estimates and adjustments made at City Growth and Resources Committee on 28 October 2020 and 3 February 2021.

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. The savings agreed when the budget was set, adjusted for the ongoing impact of Covid-19, have been substantially achieved, and governance was put in place to track the savings and mitigate and offset risk areas.

The final out-turn position was a small budget surplus (£0.520 million), after taking into account group accounting adjustments and movements in reserves. Full details can be found on the ACC website at Committee Reporting for the meetings stated.

The Council approved the revised reserves policy in March 2021. Usable reserves stood at £99 million as at 31 March 2021, an increase of £39 million on the previous year.

#### On the City Council's Capital Position

The impact of Covid-19 Pandemic is reflected in the total £135 million investment recorded for the Capital Programme for the year, lower than the £258m originally expected. This is primarily the result of the closure of construction sites during the first quarter of 2020/21 in compliance with government guidance. Capital plans were revised to reflect the impact of social distancing and delays on capital contracts and contingent liabilities identified where relevant.

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

- Construction progressed on the joint Ness Energy from Waste facility, a project being carried out in collaboration with Aberdeenshire and Moray Councils, to avoid waste being sent to landfill in future and use those resources for the production of electricity and heat.
- The final piece of infrastructure at The Event Complex Aberdeen (TECA), the Anaerobic Digestion Gas to Grid (AD plant), approached completion.
- Digital Connectivity has also been enhanced through the City Region Deal by continued investment and expansion of the City's fibre network, alongside accelerated investment in Intelligent Street Lighting under the Town Centre Fund to compliment the investment in Street Lighting LED lanterns.
- The Council's Local Transport Strategy advanced design works for the South College Street and Berryden corridors, for improved connections to the City Centre, and began preparations for the introduction of a City Centre Low Emissions Zone (LEZ).
- The City Centre Masterplan continues to invest in Aberdeen; contractors continued the regeneration of Union Terrace Gardens and the refurbishment of Provost Skene House; land assembly and enabling works advanced for the redevelopment of Queen Street.
- 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, with construction commencing at the Milltimber site. The programme for the expansion of Early Learning and Childcare was also supported with significant progress made at several sites across the city.
- Aberdeen City Strategic Housing Investment Plan 21/22-25/26 was approved by City Growth and Resources Committee in October 2020.

#### On the City Council's service delivery

The nature of the pandemic and the subsequent restrictions applied, had a significant impact on many of the services delivered by the council. With the closure of many buildings services were, wherever possible, delivered in alternative ways. This included the closure of the city's schools, with online learning technologically enabled. In addition, a priority response was required to protect the city's most vulnerable citizens, including direct crises support, the administration of financial support and revised arrangements to care for those most at risk. Data from February 2021 clearly demonstrated the heroic efforts:



### On the City Council's Group

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 155 to 173. Significant investment is made in ALEOs by the Council and proper consideration must be given to their performance and governance arrangements. The impact of Covid-19 on the ALEOs has been supported and monitored throughout the year. The extent to which they generate and rely on external customer income was evident as lockdown restrictions applied from March 2020 and external income stopped overnight. To address this they have sought to access grants from a wide variety of sources depending on the sector in which they work and that included making full use of the furlough scheme. Assurance was also taken from reserves positions of many in light of the impact on their financial sustainability. 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.

## **2. Brexit**

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 continued to be monitored over the transition period that was extended to 31 December 2020. The impact of EU exit risk has now been incorporated into the Council's regular Risk Management Framework and reporting. On the 31 December 2020, the UK's transition period to exit the European Union came to an end. From 1 January 2021 the UK operates under a new framework as agreed in the UK-EU Trade and Cooperation agreement.

Five months in, there is some uncertainty arising from Brexit and these were anticipated as part of the Council's annual credit rating assessment and the supporting report by an independent Economic Policy Panel:

- The region continues to face challenges in attracting workers with the right skills – an issue likely to be exacerbated by Brexit or national policy choices;
- Brexit has the potential to heighten existing skills gaps in the region and highlight the importance of providing re-training and re-skilling opportunities for people, this will potentially be exacerbated by the impact of Covid-19.
- It is likely Brexit will lower the demand for our exports to the EU (thus narrowing our demand-base) and limit the supply of workers in many of our key sectors: adult social care; tourism; fish processing; food and drink; and energy.
- The food, drink, agriculture and fishing sector, a key sector for the city region, faces its own opportunities and challenges. Brexit, which will pose challenges in terms of exports, may also create greater opportunities to supply the UK market than before.
- The city region's higher and further education sector is a key strength and will remain so in the future. Universities do face a challenging outlook however, in terms of the impact of Brexit on international students and the future of EU research funding. This will be further intensified by the effects of the pandemic.

## **3. Annual Review of our Credit Rating**

The annual review of our credit rating was undertaken during the year, with the rating affirmed in January 2021 at A1 with stable outlook, in line with the recent change to the UK's rating in October 2020, remaining one notch below the UK Government. It is important in terms of investor confidence in Aberdeen City Council that the authority maintains its credit rating level. The rating is reviewed by Moody's on an annual basis and the assessment involves an analysis of the Council's financial and institutional framework, as well as an assessment of the economic performance of Aberdeen and the wider region. In terms of the economic analysis, independent economic commentary in this report will be used to not only support the Moody's annual review, but also provide the city with assurance on the medium-to-long-term economic outlook of Aberdeen and the region to existing and future investors. With this in mind, the Council approved the appointment of an independent Economic Policy Panel in March 2017 to provide independent commentary on the state of the Aberdeen economy in the form of an annual report each year from 2018 to 2020.

## **4. Council of the Year Award**

The City Growth and Resources Committee on 28 October 2020 noted with pride that Aberdeen City Council, had been named as the United Kingdom's Local Authority of the Year 2020 at the MJ Achievement Awards. That award recognised success across the organisation, including strong performance in major services, innovation, good synergy between the executive and political functions, and sound financial stewardship.

## **5. The Council's Governance**

In March 2020 the Council was awarded the Governance Mark of Excellence by the Chartered Institute of Public Finance and Accountancy (CIPFA). In awarding the Mark of Excellence, CIPFA assessed the robustness of the council's decision-making processes and interviewed staff across a range of services. CIPFA said the Council had demonstrated a clear sense of purpose, imagination and innovation during a time of organisational restructuring., adding that at a "time of continuing change" the Council had "embedded culture, leadership, systems and processes towards good governance". This is the first full year of benefiting from that work and is further described in the Annual Governance Statement.

## The Council and Our Plans and Performance

- **Who we are** - We are one of 32 Councils in Scotland. We have 8,867 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. Following the royal assent of the Scottish Elections (Reform) Act in July 2020, the next planned election date is 5 May 2022 after a five-year term.
  - **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 2021/22**

On 10 March 2021 the Council Delivery Plan 2021/22 was approved. Full details can be viewed at the Council's website in Committee reports for the stated date. 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.

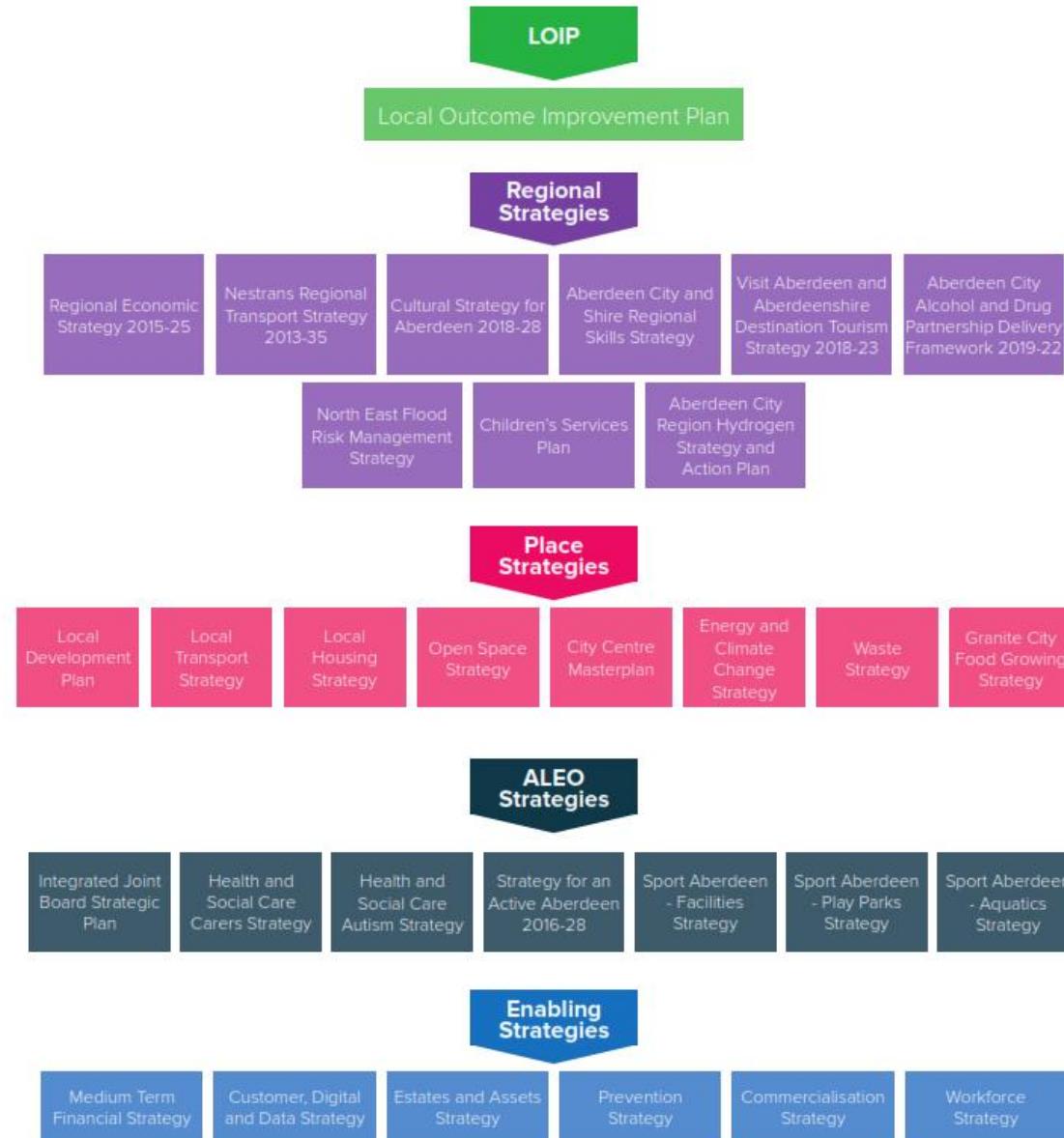
The Delivery Plan is aligned to further key documents below:

• **Local Outcomes Improvement Plan (LOIP)**

The LOIP was 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 (CPA) Board. The LOIP was refreshed in 2019 and approved by the CPA on 26 February 2019. On 11 February 2021 the Strategic Commissioning Committee received a report on an updated Population Needs Assessment to inform the future refresh of the LOIP that is planned to be approved by CPA on 7 July 2021. Full details can be viewed at the Council's website in Committee reports for the stated date. 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 that 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 the stated date. The Strategies under development continue to be refreshed and are updated in the Council Delivery Plan 2021/22 as shown below:



- **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 2021/22.

- **Climate Change response and Net Zero Vision**

During 2020/21, the Council approved ambitious plans for responding to Climate Change. These reflect the imperative for energy transition to reduce climate-altering emissions.

For Aberdeen, as one of the world's foremost energy cities, the imperative and opportunity is two-fold. First, as we have been the city from which much of the international oil and gas industry has been pioneered, we must stand ready to play a pivotal role in the global energy transition. Second, we must ensure our services, our infrastructure and our people can continue to support a prosperous economy while reducing our net greenhouse gas emissions to zero and becoming a climate positive exemplar.

On 6 May 2020 at Urgent Business Committee, a Net Zero City Vision and Strategic Infrastructure Plan for Energy Transition were approved with instructions to Officers to further develop evidence and plans. That vision is:

***We want Aberdeen to become a climate positive city, at the same time helping to lead the world on the rapid shift to a net zero future by leveraging its unique assets and capabilities to support the global energy transition.***

On 30 June 2020 at Urgent Business Committee, the Governance Framework for the response was approved. On 3 February 2021 a specific plan for an Electric Vehicle Charging Framework for Aberdeen was approved by City, Growth and Resources Committee. On 3 March 2021 Council approved a Climate Change Plan 2021-2026.

The key documents can be found at the Council website in Committee reports for the Urgent Business Committee in May and June 2021, City Growth and Resources in February 2021 and Council in March 2021.

- **The Target Operating Model**

On 23 August 2017 and 11 December 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. At the same time, the Council also agreed a Transformation Portfolio which would enable:

- the delivery of the Target Operating Model by the end of 2020/21;
- the delivery of up to £125 million of savings over five years to 2022/23; and
- the delivery of the Council's digital strategy.

The commitment to the Target Operating Model has been a constant focus of the organisation in the 3 years since, transforming our organisational design; governance arrangements; approach to strategic planning and commissioning of services; use of technology and digital services; service delivery for customers; the nature and role of our workforce; and how the organisation works collaboratively with its partners.

The new governance structure aligned to the model was approved on 5 March 2018. The Scheme of Governance was further refreshed on 4 March 2019, 2 March 2020 and 3 March 2021.

As we enter 2021/22, the vision of the Target Operating Model set out in 2017 is now in place. The transformation portfolio has been reviewed and refocused in 2020 as described in the 2021/22 Council Delivery Plan with the following priorities for the next phase.

- Taking advantage of opportunities presented through the acceleration of digital technology, availability and management of data and how this can support both planning and transactional services for our customers.
- The flexibility of our workforce and the ability to respond to different demands, investing in culture, training and development.
- The use of our physical assets to support transformation through the implementation of an updated Estate and Asset Strategy.
- Working closely with our partners, customers and communities to deliver inclusive, whole system redesign. Delivering early intervention and prevention activity jointly with our partners including Community Planning Aberdeen and the north east Multi-Agency Transformation Management Group.

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, March 2020 and March 2021.

- **Our Commissioning Approach**

2020/21 saw a continued embedding of our Commissioning Approach. The approved strategic commissioning approach provided the basis for the development of the Council's planning and budgeting in 2020/21, continuing into 2021/22.

The Strategic Commissioning Committee initially approved the Council's approach to outcome-based commissioning on 20 November 2018. Building on this, the Committee subsequently reviewed the implementation of the approach and approved a joint strategic commissioning approach for both the Council and Aberdeen Integrated Joint Board on 29 August 2019.

On 11 December 2020 at the Strategic Commissioning Committee, Commissioning Intentions for 2021/22 were approved to provide direction to the design and delivery of services and the allocation of resources for 2021/22.

The key documents can be found at the Council website in Committee reports for the Strategic Commissioning Committee in November 2018, August 2019 and December 2020.

- **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 19 June 2018. Further information on the economic impact of Covid-19 and the council's Socio-Economic response is set out below in the section on Outlook including Risks and Uncertainties.

- **Covid-19 Response Plans**

Throughout 2020/21, robust and responsive arrangements have been put in place to expedite decision making where necessary and support the democratic process.

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. Officers 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 reported to an Incident Management Team of Chief Officers and Strategic Corporate Management Team for Covid-19 Response.

The Council's response to the Covid-19 pandemic was categorised against three stages – rescue, transition and long term recovery.

At Urgent Business Committee on 30 June 2020, as restrictions from the first lockdown began to ease, an update to Governance arrangements in response to Covid-19 was approved, resuming some arrangements that had been suspended in a safe way.

On 21 December 2020, the Council's Covid-19 Incident Management Team was activated to consider the announced change in the city's status from Level 3 to Level 4 with effect from 26 December 2020 that led to a second lockdown. Officers identified services which required to be stood down or partially stood down and presented these to a meeting of the UBC on 23 December 2020. Full details can be found on the ACC website at Committee Reporting for the committee dates stated.

- Legislative duties**

The Coronavirus (Scotland) Act 2020 was given royal assent on 6 April 2020 that set 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 was undertaken and the Council has continued to respond to changes in legislation and guidance throughout 2020/21.

The Scottish Elections (Reform) Act 2020 was given royal assent on 8 July 2020 that revised the term for Scottish Parliament and Local Government elections to 5 years and made technical changes to ward arrangements and voting mechanisms.

The Council Delivery Plan set out in the table below, as at early March 2021, new legislation that may impact the Council directly during 2021/22.

PEOPLE (Children)	PEOPLE (Adults)	PLACE
1. The United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Bill	1. Restricting Foods Promotions Bill 2. Legislation to be considered to implement recommendations of the Fireworks Review Group 3. Public sector off-payroll working for clients (Change in HMRC Rules) 4. Forensic Medical Services (Victims of Sexual Offences) (Scotland) Bill 5. Hate Crime and Public Order (Scotland) Bill 6. Counter-Terrorism and Sentencing Bill 2019-21 7. Domestic Abuse Bill 2019-21 8. Welfare of Dogs (Scotland) Bill 9. Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill 10. Domestic Abuse (Protection) (Scotland) Bill	1. Revised statutory Code of Conduct under section 14 of Property Factors (Scotland) Act 2011 2. Civic Government (Scotland) Act 1982 (Licensing of Short-term Lets) Order 2021 and Town and Country Planning (Short-term Let Control Areas) (Scotland) Regulations 2021 3. The Valuation Appeal Committee (Procedure in Civil Penalty Appeals) (Scotland) Regulations 2020 4. The Town and Country Planning (General Permitted Development and Use Classes) (Scotland) Amendment Order 2020 5. Heat Networks (Scotland) Bill 6. Travelling Funfairs (Licensing) (Scotland) Bill

### **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 that has been even more so in response to the Covid-19 pandemic. We have continued to make significant investment in developing staff capability at all levels in order to ensure the long-term sustainability of our workforce. During 2020/21, under the responsibility of our Staff Governance Committee, we have continued to strengthen the behavioural framework and guiding principles established in March 2019 and the ACC Workforce Plan, Capability Framework and new approach to Continuous Review and Development established in 2020. The Council Delivery Plans for 2020/21 and 2021/22 describe our continued activities in the section ‘How we behave as an organisation’.

Notable achievements during 2020/21 were:

- 1,600 people volunteered to take on additional roles during the pandemic, and hundreds did so.
- Overnight, over 2,500 people switched to working from home when the lockdown was announced in March 2020, supported by our digital adoption.
- The Leadership Forum grew to 500 members and became digitally enabled through a Microsoft Teams site
- Our new internal recruitment and internal movement of staff scheme, re.cr.uit, (retaining employees, changing roles, using internal talent) was introduced, focussing on an employee’s ‘fit’ to roles rather than purely on their technical qualifications and skills.
- The focus on the Developing the Young Workforce agenda has been integral to our workforce approach – supporting current and future capacity requirements of the organisation and re-shaping and re-skilling our own workforce, achievement of Investors in Young People (IYYP) Gold accreditation in March 2020 was a key success because of this focus.
- Two years into our annual mental health action plans our support for wellbeing throughout the pandemic has been praised by staff and continues to be an area of focus.

### **Engaging with our staff**

As well as investment in staff development we recognise the importance of an engaged and committed workforce. Communication and engagement, by necessity, grew considerably during 2020/21 because of our response to Covid-19. Information cascaded daily from the Incident Management Team in the initial response to the pandemic using the new Intranet site, formal and informal communications. New technology and the use of Microsoft Teams and the roll out of new laptops had a significant impact in enabling staff to play their role in the response.

During 2020/21 we continued to strengthen 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 – that was held digitally in June 2020; a focus on employee wellbeing; 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. Best Value Audit work on Equal Opportunities was reported to Urgent Business Committee on 30 June 2020 as part of the External Audit Annual Audit Report (pages 38-40). On 12 April 2021 our Equalities, Diversity and Inclusion Action Plan was approved at Staff Governance Committee. This built on our Equality Outcomes and Mainstreaming Report 2021-25 that was approved on 11 March 2021 at Operational Delivery Committee. Details can be viewed in Committee Reports for Urgent Business Committee in June 2020, Operational Delivery Committee in March 2021 and Staff Governance Committee in April 2021.

## **Our Relationship with Scottish and UK Governments**

Annually the Council receives its local authority grant funding from the Scottish Government. This funding route was vitally important in 2020/21, in response to the Covid-19 pandemic, measures were put in place by UK Government and Scottish Government to enable the response. Tens of millions of pounds have been distributed to the Council to support the Council and its delivery of services, and to act as agent for the Scottish Government in getting funding distributed to local businesses. Duties and responsibilities for the Council associated with expediting the allocation of grant monies are set out in the individual grant funding arrangements. Measures have been in place to ensure that grants are administered effectively and that the Council complies with all relevant requirements, including appeal processes and counter-fraud measures.

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 2020 Annual Report on the City Region Deal Website at [Abzdeal.com](http://Abzdeal.com).

Our Group entities made extensive use of the government backed schemes, including furlough funding administered by the UK Government and various grant funding opportunities that were made available to different sectors by the Scottish Government.

## **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.

On 27 August 2020, the Strategic Commissioning Committee approved a 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 2020/21. Full details can be viewed in Committee Reports for the stated date.

On 8 October 2020, the Audit Risk and Scrutiny Committee noted that Audit Scotland worked with KPMG to complete an audit of Best Value Assurance, which has been considered by the Accounts Commission in June 2021. The report was also presented to the Council at that time. Audit work has been ongoing in 2020/21; audit themes under Best Value guidance are: Vision and Leadership, Governance and Accountability, Effective Use of Resources, Sustainable Development, Partnerships and Collaborative Working, Working with Communities, Fairness and Equality Service and Performance and Improvement. This report is available on the Audit Scotland website.

## **Financial Performance**

- **Balance Sheet**

The Balance Sheet on page 57 shows Net Assets of £1,413 million as at 31 March 2021 (£1,216 million at 31 March 2020), an increase of £197 million. Long Term Assets have decreased by £30 million (from £2,824 million at 31 March 2020) , reflecting additions of £141 million to Property, Plant & Equipment (PPE), revaluation decreases of £230 million to the value of PPE, Heritage Assets and Investment Properties, disposals of £3 million and depreciation of £84 million. Short Term Assets have increased by £49 million from the previous year, reflecting an increase in Cash & Cash Equivalents (£18 million) and Debtors (42 million) and a decrease in Short Term Investments (£10 million). Current Liabilities have increased by £41 million from the previous year, in Short Term Borrowing (£24 million), Short term Creditors (£18 million). Long term liabilities have decreased by £220 million, due to decreases in Pension Liabilities (£191 million) and Long-Term Borrowing (£24 million).

The impact of Covid-19 led to an increased level of uncertainty around asset valuations at 31 March 2020. The Council has continued to reflect the values of Long Term Assets as at 31 March 2021 in line with current RICS guidance that has evolved throughout the year and provided additional assurance through more timely valuations of operational building assets and close attention being paid to the valuation method and assumptions around investment assets.

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 121 – 122.

Total debt outstanding amounts to £1,189 million (2020 £1,199 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 covid-19 grants, second/long term empty homes, and de-risk the Council.

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 3 March 2020, and again on 10 March 2021 and details can be found in the Committee Papers of this date. Our reserves are detailed in Notes 5 and 6 on pages 79 to 81.

- **Treasury**

The annual review of the Council's credit rating was undertaken in November 2020 and an opinion provided on 18 Jan 2021. This was reported to City, Growth and Resources Committee on 3 February 2021. It affirmed the credit rating at A1 with a stable outlook in parity at one notch below the UK's rating that changed in October 2020 reflecting the impact of the Covid-19 pandemic and continued Brexit uncertainty. In its credit opinion, the credit rating agency Moody's recognised the Council's "strong institutional framework" and "strong track record of operating performance". Full details can be viewed at the ACC website in Committee Reporting for the stated date.

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 2020/21 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 the Council Meeting on 2 March 2020.

- **Revenue**

During 2020/21, the Council set a net revenue expenditure budget of £603 million (being £509 million on the General Fund and £94 million on the Housing Revenue Account). The performance during the year resulted in a surplus of £0.9 million (represented by £0.4 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 84 and the Comprehensive Income and Expenditure Statement (CIES) on page 56 as follows:

Financial Performance 20/21	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	(520)	(28,465)	(28,985)	(6,642)	(13,347)	(48,974)
Housing Revenue Account	(500)	(6,873)	(7,373)	(35,135)	82,127	39,619
<b>(Surplus) /Deficit on provision of services</b>	<b>(1,020)</b>	<b>(35,338)</b>	<b>(36,358)</b>	<b>(41,777)</b>	<b>68,780</b>	<b>(9,355)</b>
Other Comprehensive Income and Expenditure						(187,846)
<b>Total Comprehensive Income &amp; Expenditure Surplus</b>	<b>(1,020)</b>	<b>(35,338)</b>	<b>(36,358)</b>	<b>(41,777)</b>	<b>68,780</b>	<b>(197,201)</b>

- Capital

The Capital budget for the period 2020/21 to 2024/25 was set at £675 million (General Fund £424 million, Housing £251 million). Capital expenditure during the year was £136m, with £57 million of this for spend on Housing compared with anticipated expenditure for the year of £258m. The capital programmes in 2020/21 were financed by capital grants (£63 million), borrowing (£34 million), revenue contributions from the Housing Revenue Account (£33 million) and other grant income / contributions (£26 million).

An initial impact assessment of the significant changes to capital plans was presented to Urgent Business Committee on 30 June 2020 and continued to be reported in Quarterly monitoring reports to City, Growth and Resources Committee. Plans were adjusted in consultation with contractors reflecting changes to allowed safe construction activities, social distancing working practices and safe occupancy of homes. Contingent liabilities were identified considering additional project cost uncertainty, details can be seen on page 122. The changing profile of capital expenditure has been reflected in future capital financing plans and the capital programme adjusted accordingly.

- 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 £3,221 million. This is an increase against the total assets of the Council, which are £3,109 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 2020/21. Details can be seen on page 155-173.

- Common Good

The Common Good recorded an operating deficit of £0.3 million. Capital receipts of £4.07 million increased cash balances at year end.

The above deficit is before revaluation of assets and other accounting adjustments are applied. The value of the Common Good is £127.1 million at 31 March 2021, an increase of £3.0 million from last year, reflecting movements in the value of assets to reflect current market conditions. Further details on the Common Good can be seen at pages 149 to 151.

- 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 2021 was £10.4 million, an increase of £0.5 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 151 to 153.

### Outlook including Risks and Uncertainties

#### Outlook for the City Council

- a. **On-going uncertainty re Covid-19**

Restrictions remain a feature of our daily lives as the new financial year begins and this brings known implications, such as an ongoing loss of income for the Council and its Group, cost pressure to purchase and support ongoing response and alternative methods of delivering our services. That said, the route set out by the Scottish Government indicates the potential for a much more normal way of life to return by the early summer of 2021 and the impact on the city and the Council Group will be positive.

While the national vaccination programme continues apace it is not possible to know all that lies ahead and there remains significant uncertainty on whether the key dates will trigger the relaxing of restrictions as expected or if there will be future waves of the virus or variants, many scenarios could yet feature in 2021/22 and beyond. The Council remains agile and prepared to address changing situations, with links to be public health, communications and strong governance in place to act as appropriate. Appraisal of the financial implications is under regular review.

- b. **Financial sustainability**

On 28 October 2020 the City Growth and Resources Committee approved the Medium-Term Financial Strategy for the General Fund, that set out the funding context, the medium-term outlook and the impact of capital investment and funding. Several scenarios and responses were developed and principles relating to financial sustainability and managing reserves. The Strategy noted the changing and increasingly more complex and uncertain environment in which the Council operates. Given events that occurred in 2020 because of the Covid-19 pandemic, the task of medium and long-term financial planning was made even more challenging. From the Strategy the financial outlook can be summarised, with the Central Scenario being the planning assumption:

General Fund Budget Gap	Budget 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
	£m	£m	£m	£m	£m	£m	£m	£m
Upside Scenario	0	28	32	34	38	40	43	47
Central Scenario	0	30	49	65	82	98	114	131
Downside Scenario	0	53	80	106	132	157	184	211

The Council set its 2021/22 General Fund revenue budget, Housing Revenue Account, Common Good and five-year capital budgets on 10 March 2021. The 2021/22 General Fund budget presented proposals to address a significant gap of £30.5 million to Elected Members. 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. The Council agreed that there would be no rise in Council Tax and no rise in fees or charges. The budget report and minute sets out the detailed proposals, risks and assumptions behind the future financial proposals. Council agreed to freeze rents on the Housing Revenue Account for a period of two years and to distribute over £3m from the Common Good. These can be found on the ACC website at Committee Reporting for Council meeting on 10 March 2021.

The Capital budget for the period 2021/22 to 2025/26 was set at £1,076 million (General Fund £557 million, Housing £519 million). This budget reflected an additional investment proposal of £150m to regenerate the city centre and beach area and strategic housing investment.

Taking account of the challenges and strategic context, with particular emphasis on the emerging fiscal and economic challenges, it is clear the scale of service redesign will have to increase as we continue our journey of transformation, responding to a changing world by embracing new ways of doing business, meeting changing needs of customers and communities as we emerge from the Covid-19 pandemic. Response to the challenges ahead takes more than can be delivered by the Council alone and therefore the transformation portfolio of the Council is part of a whole system, that includes multi-agency transformation and Council business efficiency.

We're achieving our financial sustainability by building upon our systemic redesign of services to ensure we respond to and shape future demand. Themes include:

- Reshaping our workforce - The overall purpose is to continue to transform the culture of the organisation by stretching the aims articulated in the TOM to align organisational culture with the ethos of the 21st Century Public Servant, whilst managing an approach to headcount reduction through service redesign and reshaping the remaining workforce both in terms of skills, way of working and culture. To achieve this, we will draw on the feedback and experience of staff gained during the pandemic through in-depth engagement with front line colleagues; we will continue to modernise our structural processes, thus creating an environment in which employees have clarity of expectations and have the skills and confidence to deliver services that meet the needs of the citizens of Aberdeen in the 21st Century whilst at the same time feeling empowered to support and challenge their colleagues to do the same.
- Reshaping our estate – Working to establish how the Council and partners can best use their asset base to efficiently deliver services and support wider transformation aims. The Council holds significant physical resources, and, through the implementation of an updated Estate and Asset Strategy, including a Schools Estate Plan, we will continue to work to optimise the use of our assets, including rationalisation and a review of assets with communities, to maximise utilisation within a reduced footprint. By its nature, the estate should react to the requirement to deliver services and interact with other transformation programmes.
- Reforming how we work through digital - Digital and data have been, and remain, fundamental in both leading and enabling the continuing transformation of the organisation. The work will develop and provision the foundational technologies, infrastructures, systems and skills that will enable and underpin service designs and transformations, taking full advantage of opportunities presented through the rapid acceleration of digital technology, the availability and management of data and how this can support both planning and transactional services for our customers.
- Empowering customers - Our continued ambition centres around the empowerment, independence, and self-serving ability of our customers. We continue to challenge the cut-off points between the customer and service delivery function, ensuring a single point of accountability for the customer experience empowered to drive more customer centric behaviour. Our approach to improved outcomes is focused on customer relationships and is based on the following 4 themes: Demand Prevention; Integrated Digital Access; Proactive Customer Engagement; and Embedded Customer Centric Culture.

### **c. Environmental Sustainability**

As part of the approval of the Council Energy and Climate Routemap on 6 May 2020, a Council Energy and Climate Plan was instructed. On 3 March 2021 Council set the strategic direction for carbon emissions and adaptation actions up to 2025, through approval of the Climate Change Plan 2021-25. Scrutiny will be through the Council's Climate Change Report, produced annually to meet requirements of Public Bodies Climate Duties and reported to the City Growth & Resources Committee by the end of November each year.

As detailed in the Council Delivery Plan (Council, 10 March 2021) the strengthened alignment of the commissioning intentions to support the Council's priorities of Energy Transition and Net Zero carbon emissions was highlighted. Through the 2021/22 planning process, each of the proposed intentions were reviewed to ensure that every opportunity was identified for the commissioned services to support these Energy Transition and Net Zero priorities. A number of additions and revisions have been made on that basis. Overall, this assessment shows that 52 intentions are identified as having a positive benefit (directly or indirectly); 38 have a neutral impact; and no intentions identified as having a negative impact. This reflects the importance and the positive impact that can be achieved, noting the constant attention to the subject that will be required.

## **Outlook for the City**

- **Aberdeen Economy – General**

Aberdeen is at the heart of one of the most prosperous regions in the UK outside of London. Comparatively, 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 the city region making a disproportionately positive contribution to Scottish exports 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 did have an impact on the Aberdeen economy. The UK offshore oil and gas industry supported more than 280,000 jobs in 2019, 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. The sector is now assessing the wider impact COVID-19 is having on the world economy and, at the same time, a declining oil price in 2020.

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. In 2019, the city was home to 11,625 'businesses' (including public administration), supporting around 191,700 jobs and, in turn generating 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. 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 Target Operating Model building cohesion through the Place and City Growth functions. The Council's investment in its capital programme directly supports diversification of the city region economy, including tourism, events, leisure and culture, and the delivery of the City Region Deal commitments on roads, Aberdeen harbour expansion and digital infrastructure.

- **Impact of Covid-19 and Economic Recovery**

The context is stark. Aberdeen has been hit proportionately harder than other areas in Scotland in the last year, given the link between economic performance in the city and exogenous factors such as declining oil prices. In Covid, we saw alarming increases in unemployment and threat of redundancy, corresponding as it did with a collapse in April 2020 of oil prices to \$18 per barrel. For the first time, the data suggest a worsening impact across the city, beyond the traditionally more deprived wards in the city. 2020 saw a collapse in output of 10% for the city. Recovery is likely to be a fragile and output is forecast to remain below 2019 levels.

By February 2021, the number of people actively seeking work reached 9,500 people in the city, an increase of 136% over the previous year. Wider, 18,479 people were in receipt of universal credit, representing 12% of the working age population, and a 132% increase over the previous year.

There were 12,500 people on the Corona Job Retention Scheme, the highest since August 2020, reflecting stricter lockdown measures. At 12%, Aberdeen has a higher rate of those working age people on the JRS, indicative that the mobile 'exporting jobs' may be less impacted than the local services jobs that have been furloughed as the city went into lockdown.

City centre footfall for the first 6 weeks of 2021 was around 800,000 compared with over 3.3 million in the first six weeks of 2020 prior to the pandemic.. The immediate economic impact has seen the more 'visible' retail, leisure and hospitality sectors being hit hardest by lockdown and social distancing. The retail draw has been even more compromised as a result of recent rationalisation. At the same time, thousands of office workers have switched to home working and people are likely to remain cautious about spending work and leisure time in the city. There is a risk that any permanent shift towards working from home or a 'hybrid' working pattern impacts recovery.

The impact and uncertainty is not limited to Aberdeen, the Covid-19 outbreak brings risk and uncertainty globally. Currently, predicting the impact for the national and local economy continues to be extremely uncertain.

A recent assessment of the Economic Outlook for Scotland can be found in 'Scotland's Fiscal Outlook' published by Scottish Government on 28 January 2021. It quotes:

'There have been unprecedented falls in economic activity in Scotland, the UK and other nations around the world as a result of COVID-19 and the restrictions imposed to manage and reduce its spread. In response to this, there has been an equally unprecedented level of support offered to households and businesses, with Scottish Government support for businesses and the self-employed reaching almost £3 billion.'

The Scottish economy has begun a fragile recovery from the falls in spring 2020 and the roll-out of a large-scale vaccination programme brings a welcome boost of optimism but the scale and speed of any recovery remains both fragile and uncertain.

The independent Aberdeen Economic Policy Panel produces an annual report on the state of the Aberdeen Economy. It was published in November 2020 and finds that on modelling by the Fraser of Allander Institute, based upon the industrial mix of each local authority, suggests that the Aberdeen economy may be more exposed to the immediate fallout from Covid-19 than the Scottish average. The FAI estimated that between February and June 2020, Aberdeen's economy was impacted negatively by more than one percentage point higher than the Scottish average. The full report can be found on the Council's website.

### **Supporting Recovery**

The Council has taken decisive action, working within its powers and resources to address the emerging situation throughout the year. On 30 June 2020 the Urgent Business Committee approved a Socio-economic Rescue Plan to support people and businesses during the pandemic. As the year ends the actions have been substantially completed or brought into mainstream delivery and response, particularly in response to worsening unemployment.

Work on a review of the City Centre Masterplan (CCMP) was instructed by the City Growth and Resources Committee on 3 February 2021, with the Council committing to £150m of capital investment over the next 5 year period as it set the 2021/22 budgets. The purpose being:

1. To facilitate the city's short-term economic recovery from the shock created by Covid-19, through the re-opening of existing CCMP projects, the acceleration of the completion of existing projects under construction and the continued exploration of how regulatory powers may be used differently to facilitate business investment in the city centre;
2. To capitalise on the city's new and developing tourism and cultural attractions and supporting exhibition and event programmes for 2021/22;
3. To build on existing mechanisms for engaging with the public and businesses on the short, medium and long term changes required within the city centre;
4. To consider the implications on city centre footfall as a result of the significant changes to multi-channel retail offer beyond solely a 'physical presence' and the anticipated increased levels of sustained hybrid working by city centre offices and employers that can be anticipated post the pandemic and consider solutions to mitigating this anticipated reduction;
5. To consider how the policy environment and regulatory system across planning, compulsory purchase and licensing can facilitate the re-purposing of buildings to enable increased city centre living and flexibility in how businesses in hospitality or food and drink sectors operate;

6. To integrate our environmental thinking (from a place and economy perspective) into the prioritisation and planning of the next wave of CCMP projects over the medium term and long term;
7. To integrate our smart city thinking more deliberately within the prioritisation and planning of future waves of CCMP projects over the medium and long term.

The steps taken on Energy Transition will facilitate recovery too, for example the work to date on the Aberdeen Hydrogen Hub, when the City Growth and Resources Committee (28 October 2020) approved the programme as part of the City's Net Zero Vision and Strategic Infrastructure Plan – Energy Transition.

### **Conclusion**

The Council continues to maintain a healthy credit rating of A1 with a stable outlook, recognising "a strong institutional framework" and "a strong track record of operating performance" and thereby demonstrating external assurance on the financial governance and strength of the organisation.

The 2020/21 financial year results showed a small surplus of £0.915 million for the year across all Council accounts. This shows another strong performance over what has been an exceptional year and demonstrates the Council's financial resilience and actions taken to maintain longer term stability in service delivery going forward.

The continued impact of the Covid-19 outbreak brings global economic insecurities and specific uncertainties for the City of Aberdeen and the Council. The Council governance arrangements for responding to the emergency, and specific financial resilience plans we have evidenced our response to manage and mitigate risks in a robust way to protect the sustainability of Council finances throughout 2020/21 and into the future.

The approved Medium Term Financial Strategy signals the availability of funding and the risk and uncertainty of the operation environment in the future, this will guide the Council on the actions needed to transform the organisation, to remain within its means.

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 that are now aligned 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 2020/21 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

Angela Scott  
Chief Executive

Councillor Jennifer Laing  
Leader of the Council

30 June 2021

### **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 Jennifer Laing

Leader of the Council

**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 2021.

Jonathan Belford, CPFA  
Chief Officer – Finance  
30 June 2021

## 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 2021 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

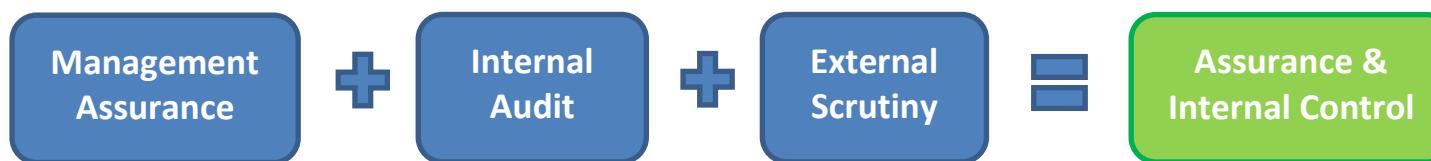
- Principle A** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Principle B** Ensuring openness and comprehensive stakeholder engagement
- Principle C** Defining outcomes in terms of sustainable economic, social and environmental benefits
- 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 has approached its ongoing review of governance activity with reference to three layers of assurance, namely management assurance both internally through the Council and externally through the Group structure; the assurance and recommendations provided by internal audit; and external audit and other external scrutiny reports



Assurance Maps, reported to Committee alongside the Cluster Risk Registers, evidence that the Council manages risk through three lines of defence:

- |   |  |
|---|--|
| <b>First Line of Defence ("do-ers")</b>   | Managers and staff who are responsible for identifying and managing risk as part of their accountability for achieving objectives  |
| <b>Second Line of Defence ("helpers")</b> | Policies and frameworks which enable risk and compliance to be managed in the first line, including Committees and corporate Boards who set these policies and frameworks. |

**Third Line of Defence (“checkers”)** Independent assurance provided by internal audit, external audit, and inspection and scrutiny bodies

The Assurance Map is a way of capturing the controls (sources of assurance) which are in place within each of the three lines of defence, thus ensuring that any gaps in sources of assurance are identified and addressed:

### 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 2020/21, no issues were highlighted.

In response to the pandemic, officers reported throughout the year to Committee on a Financial Resilience Plan and Socio-Economic Rescue Plan. This culminated in approval of the Council’s budgets in March 2021

- Urgent Business Committee March (Item 6), May and June 2020 (Item 9) – Financial Resilience Plan
- Urgent Business Committee June 2020 (Item 11) – Socio-Economic Recovery Plan
- City Growth and Resources Committee February 2021

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, and at the meetings of the Urgent Business Committee as highlighted above.

### **The Financial Management Code**

The Financial Management Code (FM Code) was published by CIPFA in October 2019 and is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. CIPFA stated that the Annual Governance Statement for 2020/21 should include the overall conclusion of an assessment of the organisation’s compliance with the principles of the FM Code, with any outstanding matters or areas for improvement included in the action plan. Following the initial self-assessment of the Council against the FM Code standards it has been concluded that the requirements are substantially met to a comprehensive level. The Council has a strong record of financial management and considerable further additional measures in place. Summary progress against the FM Code standards is set out in the Assessment of Governance Activity in Table A (Section 2.2 of the AGS), future planned actions are set out in the Primary Actions Planned 21/22 in Table B (Section 3 of the AGS).

### **Scheme of Governance**

During 2020/21 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 agreed to the Scheme to help ensure that the Council’s governance arrangements remain effective although only minor amendments were made to the Terms of Reference and Standing

Orders which shows that these have been operating well throughout the year. Additional amendments were made to the Scheme of Governance throughout the year to support the Council's response to the COVID-19 pandemic and these are detailed elsewhere in the statement.

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.

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 regularly 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. In addition, during 2020/21 and due to the emerging severity of the pandemic for the operations of some ALEOs, weekly meetings were being held with the ALEOs, including the Chief Officer – Finance and the Head of Commercial and Procurement. This informed the Financial Resilience Recovery Plan agreed by the Urgent Business Committee in June 2020, referenced later in this section.

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 Assurance Hub:

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

The Hub was due to review, by exception, the level of ALEO risk to the Council in May this year when the COVID-19 pandemic was at its peak. The pandemic response had implications for each ALEO as the Council and the city as a whole responded to national lockdown, including some ALEO staff being furloughed and their operations being significantly altered.

In recognition of this rapidly evolving picture and the cancellation of the Audit, Risk and Scrutiny Committee meeting due in May as a result of the pandemic, Chief Officers met with each ALEO regularly and routinely during lockdown to maintain oversight of their financial, risk and governance profiles. This included consideration of the impact of the pandemic. At its meeting on 30 June 2020, the Urgent Business Committee considered the Financial Resilience Recovery Plan and this included an assessment of the risk that ALEOs presented to the Council, and was based on that regular oversight and data collected.

The ALEO Assurance Hub then reported to the Audit, Risk and Scrutiny Committee in October 2020 (Item 6), providing an update, by exception, on the governance arrangements, financial management and risk management frameworks for each ALEO. The areas intended for review, as per the workplan, were adjusted and sufficient assurance taken from the responses. The greatest area of risk related to the potential financial exposure presented to the Council, caused by the uncertainty of the pandemic and associated restrictions.

In addition, Sport Aberdeen, Bon Accord Care and Aberdeen Performing Arts presented their annual reports to the Strategic Commissioning Committee in respect of their contribution to the Council and the city's outcomes. The report from Aberdeen Sports Village is due to Committee in February 2021.

#### **Integration Joint Board**

The Aberdeen City Integration Joint Board (IJB) has taken a number of steps during 2020/21 to further strengthen its governance arrangements. These include:-

- Review of Board and Committee Terms of Reference

- Appointment of Board members for a further three year period
- Approval of ACHSCP Annual Report 2019/20
- 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 transformation 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.
- Regular 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
- 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
- Emergency governance arrangements being in place to help facilitate the support to the pandemic, in conjunction with Aberdeen City Council and NHS Grampian. This included membership of the Council's Incident Management Team during the early response stages.

The IJB Chief Officer considers:-

- that the IJB, the Risk Audit and Performance Committee and the Clinical and Care Governance Committee apply regular and appropriate scrutiny to the work of the ACHSCP and its delivery of services in partnership with Aberdeen City Council and NHS Grampian.
- 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 was modified to support the response to the pandemic.
- That the internal control environment 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 2021, the Chief Internal Auditor provided 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 2021.

The report provided details of the position relating to the audits contained within the 2020/21 audit plan and highlighted 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 2021. The report also further confirmed 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 2020/21 was agreed by the Audit, Risk and Scrutiny Committee on 12 February 2020 and amended as agreed by the Urgent Business Committee on 6 May 2020, and the Audit, Risk and Scrutiny Committee of 9 December 2020. This reflected the advent of COVID and the impact this had on the ability to complete the Plan. A total of 3 audits contained in the 2020/21 plan were completed by the end of the year along with 12 relating to 2019/20. A further 2 were with management for comment and 3 others were well progressed.

The volume of work completed during 2020/21 is less than previous years, due to the impact of Covid 19 on the resources and capacity of the Internal Audit team and of audited Services. Whilst this leads to a reduction in the sources of assurance available on which to form an opinion, reliance has been placed on the previous body of work completed by Internal Audit, and reported progress with management implementation of agreed Internal Audit recommendations. Consideration has been given as to whether this amounts to a limitation of the scope of Internal Audit's activities, and it is considered that for 2020/21 a one-off reduction in the number of completed audits will not have a material impact and that sufficient assurance has been obtained. Should the situation significantly impact work planned in 2021/22 and beyond, further consideration will be given to the level of assurance which Internal Audit can provide. This has been reflected in the Internal Audit Plan for 2021/22.

83 recommendations were made of which 82 were agreed with management in reports finalised during the year, 6 were classed as major at corporate level all of which related to compliance with procurement regulations and are being addressed through training and development of the Council's contracts register. The remainder were either significant within the audited area or important within the audited area. Different areas of the organisation are audited each year, and there has been a decrease in the number of audits completed, there has therefore been a decrease in the number of recommendations made in 2020/21 compared with 2019/20 (218), which had increased from 159 in 2018/19.

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. 134 actions were concluded within the year. The number of recommendations that had not met their initial timescale for implementation was 39 at the start of the year. The equivalent figure for the year end was 37. Management has highlighted in these reports that, where necessary, progress with implementing actions has been delayed where resources have been prioritised to support the Council's response to the Covid 19 pandemic. Internal Audit considers this an appropriate and proportionate response to the management of the relative risks.

### **2.1.3    *External Audit and Inspections***

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.

External Audit presented their Audit Strategy to Audit, Risk and Scrutiny Committee on 12 February 2020 setting out the audit plan for the year. Because of the pandemic, changes were considered nationally to the reporting timetable and audit work undertaken that are summarised below. Substantial changes were not made to the audit plan, but additional audit work was undertaken to mitigate the key risks presented by the pandemic identified during the 2019-20 audit process.

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 authorities could vary the timetable with the statutory deadline extended to require audited accounts by 30 November 2020 in recognition of the additional challenge of preparing and auditing financial statements remotely, and the additional audit considerations which might be required in respect of the impact of Covid-19. External Audit noted in its Annual Report that 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. Consideration of the External Audit Annual Audit Report was undertaken at the Urgent Business Committee meeting of 30 June.

Due to the potential impact of Covid-19 on the audit approach, significant risks and estimates including within financial statements were considered as part of the audit, including challenge in respect of any impact of Covid-19 on valuations which had been prepared in November 2020; and budget pressures and responses and mitigating actions around these. It was noted in the External Audit Annual Report that Management had demonstrated strong leadership in taking action on overspends to ensure tight budgetary control and that the Council had acted early to assess the impact of Covid-19 with actions proposed to UBC to return to a balanced budget.

External Audit presented their 2021-22 Audit Strategy to Audit, Risk and Scrutiny Committee on 24 February 2021 setting out the audit plan for the year, this includes references to significant areas of audit focus that will notably include Covid-19 related grants, valuation risk (notably considering the impact of Covid), fraud risk, retirement benefits and capital expenditure.

#### **Care Inspectorate**

The Care Inspectorate report on the inspection of justice social work services in Aberdeen was published in February 2021 and found that the support offered by justice staff in Aberdeen was having a transformative impact on those carrying out Community Payback Orders (CPOs). The inspection noted that individuals experienced compassionate, consistent, focused and flexible support that frequently exceeded their expectations and enabled positive change with the service delivering highly person-centred interventions. The Care Inspectorate found that staff worked proactively to identify and remove barriers to engagement and provided a wide range of practical assistance with a clear focus on supporting individuals to address offending behaviour. The inspection also found that the service was investing in a full range of structured interventions and delivery was tailored to individual needs and risks. Leaders demonstrated a strong vision for transformational change that was supported by well-developed plans and ambitious targets. Core principles of early intervention and prevention permeated planning and delivery at all levels of the service. A strong commitment to continuous improvement was underpinned by an embedded improvement methodology. This was contributing to improved performance in the delivery of CPOs. Performance trends across almost all CPO measures were improving and individuals were being supported to achieve positive outcomes.

The Adult Support and Protection Joint Inspection Programme was paused by the Care Inspectorate in January 2021 due to pressures resulting from the pandemic. However, on 3 March 2021, it was advised that the 12-month inspection programme would recommence from March 2021. At this time, formal notification is awaited of when the Aberdeen inspection will proceed. Preparatory work for the inspection has already commenced.

It should also be noted that school inspections have currently been paused due to COVID-19, therefore no school inspection reports have been presented to the Education Operational Delivery Committee as would usually be expected, however Elected Members have been kept up to date on the latest information in respect of inspections restarting.

#### **Best Value Audit**

During 20/21 the Council underwent a Best Value Audit as part of the rolling programme of local authority audits established by the Accounts Commission to provide assurance that the Council was meeting its statutory duties in respect of Best Value. The Council was last audited in 2014. KPMG worked with Audit Scotland to undertake the 2020 audit and the Council's Best Value Assurance Report was reported to the Accounts Commission in June 2021, following which it will also be presented to the Audit, Risk and Scrutiny Committee. Fieldwork began towards the end of 2020 and continued into the early months of 2021. The process involved the identification of theme sponsors with support teams to gather the evidence required for the audit, followed by meetings and interviews with Elected Members, the Corporate (and extended) Management Team, third tier

officers, frontline staff and Trade Unions, as well as external partners. External audits such as this one are a check that the Council has effective governance arrangements in place, strong internal controls, and effective management of resources.

#### 2.1.4 COVID-19

##### Governance Arrangements

Revised governance arrangements were put in place by the Urgent Business Committee in March 2020 (Item 5) to facilitate decision-making in light of the pandemic. These included activation of the Generic Emergency Plan and emergency powers for Chief Officers acting as Duty Emergency Response Co-ordinators (DERCs), to enable decisions to be taken on behalf of the Council. This was supported by an Incident Management Team which met regularly in order to make the necessary decisions to protect the health and wellbeing of the public as the situation evolved rapidly. Each decision made by the DERCS under the Scheme of Governance, following consultation with the IMT, was logged against any relevant guidance and legislation at the time. In accordance with the Scheme of Governance, those decisions are reported to a future meeting of Full Council or an Urgent Business Committee.

UBC also agreed to review whether Full Council, committee, subcommittee and working group meetings should proceed from 24 August 2020 and delegated authority to the Chief Officer – Governance to determine any necessary arrangements. The reduced number of committee meetings during this time provided the organisation with the necessary capacity to take the action required to prioritise the health and wellbeing of the public. In order to ensure that there was still transparency in democracy while the press and public were not allowed to attend meetings, meetings were recorded and the footage uploaded to the internet after each meeting closed.

During the rescue stage, the Planning Development Management Committee met successfully with the usual membership of nine Councillors and therefore at UBC in June 2020 (Item 13) the decision was taken to reinstate the membership of the UBC to nine members. Members further agreed that all meetings should be held in the Council Chamber with effect from week commencing 10 August 2020 and that meetings be webcast due to the press and public not being able to attend. Meetings therefore recommenced with a hybrid solution in place, with some members and officers in the Chamber and others joining remotely via Microsoft Teams, and the live webcasting system was utilised for all meetings, where previously only meetings of Full Council were webcast.

On 21 December 2020, the Council's Covid-19 Incident Management Team was activated to consider the announced change in the city's status from Level 3 to Level 4 with effect from 26 December 2020. Officers reviewed the impact of Level 4 restrictions on the Council's operations. Officers identified services which required to be stood down or partially stood down and presented these to a meeting of the UBC on 23 December 2020. Committee meetings have also returned to being fully remote until there is any change in the restrictions, with the exception of the Council and Council Budget meetings in March 2021.

##### Maintaining the health and wellbeing of the workforce and supporting individuals in maintaining their own physical and mental wellbeing

During the pandemic, the People and Organisation Cluster created a vast quantity of information and published this on the Council's 'People Anytime' site to keep the workforce informed during this time. Face to face employee health and wellbeing initiatives were put on hold due to the Government's advice and therefore alternative methods of delivery were sought and shared to ensure employees had access to all relevant information to help them stay safe and connected. To ensure that staff remained connected and informed during this potentially increasingly stressful time, online support, information and national campaigns were posted and included on the Council's internal communications systems. This included a host of dedicated pages on the People Anytime site which was kept up-to-date with relevant information relating to the pandemic and on intranet and various Microsoft Teams sites. A payslip alert and frontline workers campaign were also sent out to staff to ensure that all employees had the opportunity to know where to go to find this crucial information relating to all matters of mental health, wellbeing and information relating to their employment. Wellbeing training and self-improvement courses were moved online in the form of virtual Teams based training and webinars and online materials relating to improving physical and mental wellbeing were shared.

## Ensuring the effective delivery of local elections

The Council ran a successful by-election towards the end of 2020 during the pandemic, and is currently making preparations for the May 2021 elections. In all settings the Council employed a range of mitigations as outlined in guidance documents published by the Scottish Government and Public Health Scotland. This ensured a successful election count could be completed and all internal controls were effective.

### 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 2020 to 31 March 2021. This includes a self evaluation of effectiveness as at 31 March 2021 thereby providing assurance around our systems of internal control:

**Table A**

CIPFA Principle of Good Governance	Sources of Assurance 2020/21
<b>A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	<ul style="list-style-type: none"> <li>➢ Information governance reporting and scrutiny through Audit, Risk &amp; Scrutiny Committee, the Risk Board and monthly meetings of the Information Governance Group chaired by the Senior Information Risk Owner. Includes oversight of ongoing assurance around Data Protection compliance by Council and its ALEOs</li> <li>➢ Monitoring of Scheme of Governance to ensure continued effectiveness; training delivered to elected members and officers; recommendations of further revisions to the Scheme to make decision making more efficient and transparent to be presented to Council in March 2021 for approval</li> <li>➢ Review of Member Officer Relations Protocol and minor amendment made to ensure consistent wording with Standing Orders.</li> <li>➢ Third 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, for example adjusting the next Strategic Commissioning Committee annual effectiveness report to reflect the number of exempt business cases in their own right, following a comment by Members when considering the SCC annual effectiveness report in 2020. CIPFA noted in their 2020 review of governance at Aberdeen City Council the engagement of Committee Members with the process by making specific suggestions for improvements to the reports in future years.</li> <li>➢ Implementation of a tracking system for all COVID-19 guidance and regulation to ensure full compliance across all Council services. Overseen by Incident Management Team during response stages and thereafter by Assurance Team.</li> <li>➢ Continuation of Bond training to members as required and to new Chief Officer – Digital &amp; Technology</li> <li>➢ Continued 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.</li> <li>➢ Engagement undertaken with Extended Corporate Management Team (ECMT) and Senior Management Teams (SMTs) to review and maintain policies and to support the policy review and update policy schedule</li> <li>➢ Establishment of a Policy Group that is responsible for scrutinising the Council's institutional policies prior to formal approval by the Risk Board.</li> <li>➢ Further development of online consultation and legislation trackers to ensure that the Council is well placed to influence national policy and legislative changes and is ready to implement new statutory duties. Associated with these trackers are databases listing the Council's statutory duties and also reports which the Council is required to produce annually or otherwise periodically. Every 2 months,</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2020/21
B - Ensuring openness and comprehensive stakeholder engagement	<p>Legal News Bulletins are issued internally to inform elected members and officers of ongoing consultations, forthcoming legislation and other relevant legal developments. This covers all COVID related guidance and law.</p> <ul style="list-style-type: none"> <li>➤ Committee meetings held remotely in 2020/2021 have either been webcast or recorded and made available online following the meeting to ensure that there is openness and transparency in decision-making and that the public have access to meetings when they cannot currently attend in person</li> <li>➤ Development of the LOIP including a twice yearly refresh, underpinned by a strategic needs assessment and collaborative sessions with partners, stakeholders and citizens. Locality Plans developed in conjunction with our 3 local partnership boards.</li> <li>➤ Ongoing consultation with relevant groups on specific matters for example, proposed changes to the Housing Allocation Policy. This consisted of a consultation exercise involving officers, tenants, third sector organisations and Elected Members; focus groups with staff and third sector organisations and changes implemented as a result of suggestions during the consultation process.</li> <li>➤ Staff Governance Committee, including trade union adviser representatives. Both annual effectiveness reports for the Staff Governance Committee have contained very positive comments from Trade Union advisers about the operation of the committee throughout the year, with advisers stating they felt the Committee had been run very effectively and that they were very happy with the contribution the Trade Unions had on the Committee, noting the importance of them having a voice on the issues raised. They commented that it had been a very positive experience.</li> <li>➤ Weekly Director and trade union meetings to strengthen engagement.</li> <li>➤ Regular meetings between Chief Officers and TU representatives for cluster level engagement.</li> <li>➤ Continued expansion of the Leadership Forum at all levels, with over 500 members. This has become a key audience for engagement through face-to-face events, online discussions, workshops, focus groups and more recently webinars through Microsoft Teams and participation and collaboration through events, webinars and use of Sharepoint, in order to contribute to an open distributive leadership.</li> <li>➤ Regular and routine meetings of Chief Officers with ALEOs during the pandemic to support them and maintain oversight of their financial, risk and governance profiles. Continued oversight by ALEO Assurance Hub. Consultation with ALEOs on workplan for 2021, taking account of changes brought about by COVID-19.</li> <li>➤ Continuation of enhanced digital capabilities, including expansion of online services and chatbot capabilities to further enhance the customer experience.</li> <li>➤ Partnership working approach established to facilitate the support for vulnerable customers as a result of the developing COVID-19 pandemic.</li> <li>➤ Working increasingly closely with children and young people through the city's ambition to become a Unicef to provide them with a range of opportunities to directly influence and shape the city they live in and the services that they access.</li> <li>➤ Consideration of the Population Needs Assessment at the Strategic Commissioning Committee in February 2021 which included the impact of the pandemic on Aberdeen and its citizens, including children and young people and their prospects. The PNA has been used during preparation of the Council's proposed Commissioning Intentions for 2021/22, to be submitted to the Council Budget meeting in March 2021.</li> <li>➤ Continued work to review existing processes and requirements in respect of impact assessments to create a digital form for report authors to use to evaluate how proposals and decisions will directly or indirectly have an impact on different communities; whether the Council is meeting its legal requirements in terms of Public Sector Equality Duty, Equality outcomes and Human Rights; whether Children's Rights have been impacted; whether socio-economic disadvantage is reduced; and whether any measures need to be put in place to ensure any negative impacts are eliminated or minimised.</li> <li>➤ Various consultations undertaken throughout the reporting year, including, but not limited to:-</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2020/21
<p><b>C - Defining outcomes in terms of sustainable economic, social and environmental benefits</b></p>	<ul style="list-style-type: none"> <li>➤ A Guide to Integrated Children and Family Services 2020-2021 – Feedback sought from parents on any changes which required to be made to the information</li> <li>➤ Help Shape Our Services – an opportunity for customers to review services they have used – including Accord Card, Environmental Health, Freedom of Information Requests, Parking Permits, Roads, School &amp; Nursery Applications, Street Lighting, Street Cleansing, Trading Standards and Waste and Recycling</li> <li>➤ Aberdeen Art Gallery: COVID-19 re-opening visitor survey</li> <li>➤ Taxi and Private Hire Car consultation 2020</li> <li>➤ Spaces for People feedback / consultations</li> <li>➤ Accessibility Plan 2020-2023 - Children and young people with disabilities</li> <li>➤ Aberdeen Local Development Plan - Proposed Plan 2020</li> <li>➤ Review of Exclusion policy &amp; guidance</li> <li>➤ Review of antibullying policy</li> <li>➤ Developing an Electric Vehicle Framework for Aberdeen</li> <li>➤ Participation in various external partnerships which support the economic development of the Place of Aberdeen, for instance, City Region Deal Joint Committee.</li> <li>➤ The LOIP vision and its 15 stretch outcomes are placed at the top of the Council's strategic planning hierarchy. There is now a fuller understanding of the impact of COVID-19 on Community Planning Aberdeen improvement projects and a revised Community Planning Aberdeen (CPA) Improvement Programme, alongside the socio economic rescue plan presented to UBC in 2020, are the starting stages of the route map to the refreshed LOIP which will be presented in Summer 2021.</li> <li>➤ The Strategy Framework, aligned to the LOIP, includes a standardised approach to the presentation of strategies. A number of extant strategies have been presented onto the new strategy template and work has been undertaken to identify a programme of renewal of strategies as well as a timeline for the creation of missing strategies.</li> <li>➤ In addition to the prescribed strategy template, there is a standardised template in place for the presentation of accompanying strategic implementation action plans. Each strategy now needs to demonstrate the "cities need" and how the strategy will address the "need" and includes appropriate measures from our outcome performance framework.</li> <li>➤ As part of the strategic policy framework review, a mapping exercise was carried out to assess how existing high level strategies, policies and plans fit with the LOIP Outcomes..</li> <li>➤ Approval of proposed commissioning intentions at Strategic Commissioning Committee in November 2020 to provide direction to the design and delivery of services and the allocation of resources for 2021/22.</li> <li>➤ Risk management section in committee report template ensures due consideration given to environmental and climate impact of any proposals.</li> <li>➤ Approval of the revised Performance Management Framework (PMF) within the Council Delivery Plan 2020/21 and monitoring of PMF at Strategic Commissioning Committee.</li> <li>➤ Corporate level monitoring and reporting of performance in the management of staff and finance to Staff Governance Committee and City Growth and Resources Committee.</li> <li>➤ Continuous monitoring of KPIs which populate the cluster level scorecards by officers with regular reporting to Committees and management teams showing current performance data, as well as relevant contextual analysis to support scrutiny and decision making.</li> <li>➤ Additional supplemental performance reporting to committees scheduled, as appropriate, to provide timely and full analysis in key areas e.g. annual educational attainment performance.</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2020/21
<p><b>D - Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p>	<ul style="list-style-type: none"> <li>➤ Ongoing scrutiny identifies improvement priorities, and the Council's committees, as well as officer groups (e.g ECMT), will consider and agree areas where formal improvement activity should be initiated.</li> <li>➤ Further development and use of technology to give stakeholders permanent access to the automated, up to date performance data, moving towards performance management and scrutiny being a continuous process rather than event.</li> <li>➤ Development of public performance reporting arrangements to take advantage of digital revolution by engaging with stakeholders to understand the range of information they want to receive, how they want to receive it and by exploiting digital technology to allow customers and other stakeholders to access and interact with the most current and relevant data and information in the ways that they want. The Council increasingly publishes both Council and partners' "Open Data" to the wider community to promote transparency and encourage innovation around that data.</li> <li>➤ Following development of an approach to net zero transition and introduction of a place-based plan, supported by a framework of supporting leadership and governance actions; a new prioritised Strategic Infrastructure Plan and a Net Zero Transition Plan was developed to support the business case for any future bids to anticipated investment funding from the UK Government and the Scottish Government.</li> <li>➤ Approval at UBC in June 2020 of the Terms of Reference and proposed membership for the Net Zero Vision Leadership Board, as well as the Terms of Reference and proposed membership for the supporting Delivery Unit.</li> <li>➤ In response to the pandemic, the Council has assisted thousands of residents in the last 11 months including nearly 46,000 calls and online requests to a crisis support line, approximately 4,700 food boxes sent to vulnerable or shielded people, and nearly 9,000 calls for financial assistance and advice, with supporting communities and the most vulnerable people within them at the heart of the Council's response. ACC has worked with the third sector to ensure people most in need could get help, food, and assistance with obtaining medicines and other essential deliveries such as care packs. Alongside this, there has been approximately 13,000 applications for a Scottish Welfare Fund Crisis Grant.</li> <li>➤ For local businesses, approximately 5,600 applications were made for the Scottish Government grants being administered by the Council. Officers have also provided a great deal of support to local businesses to manage the impact of the pandemic through advice on adherence to regulations. The Council has also helped communities during the pandemic by communicating how essential services continued to be delivered with social distancing, what support was available for residents and businesses, and what was happening with non-essential services.</li> <li>➤ Approval of Council Delivery Plan 2021/22 setting out the Council's annual contribution to the LOIP, city and regional outcomes, and transformational activities.</li> <li>➤ Assurance 365 – improved 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. This includes replacing the Council's existing risk registers with a "live" Office365 risk register containing the Council's Corporate, Cluster and Operational level risks that can be accessed, filtered and updated on a live basis by risk owners and managers, live data on the status of internal audit recommendations and a Resilience Hub containing emergency plans and supporting documentation. This provided clear oversight of all COVID related risks and controls.</li> <li>➤ Scheme of Governance kept under continuous review and amendments agreed by Council in March 2021 in relation to the Procurement and Financial Regulations, as well as minor amendments to the Member Officer Relations Protocol, Standing Orders, Terms of Reference and Powers Delegated to Officers to address issues which have arisen during the year.</li> <li>➤ Annual reports for each ALEO reported to Strategic Commissioning Committee</li> <li>➤ Development of a pilot project to empower the community by putting their needs at the heart of a multi-agency curriculum. Utilising data and insights from across the whole system to understand current, changing and emerging needs and preferences of the community to inform service planning.</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2020/21
	<ul style="list-style-type: none"> <li>➤ ALEO Assurance Hub monitoring of ALEOs through exception reporting to allow it to assess the level of ALEO risk to the Council and its outcomes with adjustments made to reporting in 20/21 due to impact of COVID-19</li> <li>➤ ALEO Assurance Hub workplan 2021 reported to Audit, Risk and Scrutiny Committee for member oversight and assurance.</li> <li>➤ Ongoing monitoring of capital programme at both Capital Board and Capital Programme Committee ensuring monitoring and control of projects and programmes impacted by COVID.</li> <li>➤ Review of Community Planning Partnership Improvement Programme 19/21 as result of impact of COVID-19, with improvement activity and submission of charters/ updates to the CPA Board recommencing in August 2020.</li> <li>➤ Ongoing monitoring of Community Planning improvement projects which tackle diverse issues and deliver wide ranging benefits for outcomes related to the economy, people and place. <ul style="list-style-type: none"> <li>➤ This includes a 4.8% increase in the number of people employed in growth sectors and 45 new enterprises starting up since last year.</li> <li>➤ Work being undertaken to upskill workforce and citizens in relation to digital skills with an increase of 8% in the number of people who have basic digital tools.</li> <li>➤ A 2.3% increase in people in living wage employment, with five more employers across the City receiving accreditation.</li> <li>➤ 93.2% of young people have reached a positive destination, which is up from previous years, including in the City's most deprived areas.</li> <li>➤ Work to improve levels of attendance and keep young people engaged in school, encouraging the uptake of foundation apprenticeships which offers a solid basis to find employment.</li> <li>➤ A significant increase in the number of children undertaking and completing a foundation apprenticeship from 17 last year to 93.</li> <li>➤ 93% of families who need additional support are now receiving an offer of service within 30 days; which surpasses the aim of 80%</li> <li>➤ Improvement work has led to an increase of 17% of kinship care placements as enabling care experienced children and young people to remain in kinship care can have a very positive impact on mental and physical health and wellbeing.</li> <li>➤ The proportion of care experienced young people attaining one or more qualifications at SCQF level 4 has increased to 76% since and sustained positive destinations 79%.</li> <li>➤ Targeted work with young people in Northfield and Torry to reduce antisocial behaviour which can lead to more serious offences. This work has included working closely with the Police and communities to divert young people into community based activities, with the result that calls regarding anti-social behaviour have dropped in Northfield by 34% and there is evidence of a similar trend in Torry.</li> </ul> </li> </ul>
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> <li>➤ Continuation of Bond training to members as required and to new Chief Officer – Digital &amp; Technology</li> <li>➤ Elected Member Induction Training - Guidance on Appointments to Outside Bodies and on ALEOs to new Member</li> <li>➤ A range of professional learning opportunities on the United Nations Convention on the Rights of the Child (UNCRC) has taken place and those directly supporting children and young people now take better account of Children's Rights in daily practice.</li> <li>➤ Introduction of Digital Champions network to support the Council through the transformation from physical storage to cloud-based storage, started with the introduction of Onedrive, which shifted individual behaviour from saving to B:drive to using the Cloud and ultimately of all work files from O:drive to SharePoint, accessible through Microsoft Teams.</li> <li>➤ Due to lockdown, and the need to rapidly enhance digital skills, creation of Digital Super Champions who provide learning sessions, act as peer mentors for new Super Champions coming onboard and also share their knowledge with the wider Digital Champion network.</li> <li>➤ Establishment of a network of Change Practitioners trained in Adoption and Change methodology to apply a framework and set of tools in helping colleagues make the transition from a current state to a future state to achieve expected benefits and organisational objectives. This will further instil digital transformation across areas who might traditionally be found to be slower in adopting these technologies.</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2020/21
	<ul style="list-style-type: none"> <li>➤ Development of the leadership forum as a key step in the learning journey of senior managers and distributed leaders, with a transition to a self supporting group through the adoption of Teams sites for discussion and communication and the involvement in webinar learning events. The Leadership Forum now has over 500 members.</li> <li>➤ Continuation of training programme on use of data to support informed decision making and enable robust measurement and evaluation of interventions.</li> <li>➤ Reviews of approach to rescue and transition stages of response to the Covid-19 pandemic. This led to the production of a lessons learned action plan which is being overseen by the Chief Officer – Governance.</li> <li>➤ Continued development of new intranet, including many learning and training resources for staff, webinars and opportunities for development.</li> <li>➤ New online learning platform, ACC Learn where staff can access modules of learning including the mandatory courses that all staff have to undertake.</li> <li>➤ Elected Members also have access to ACC Learn and can undertake these courses</li> <li>➤ A new Elected Member Development Microsoft Teams Site was established and all Elected Members have access. Within, there are training videos on how to use Teams and Sharepoint. This will be further developed in the coming months to become the focal point of communication and announcements on training sessions and be a point of reference for information and questions.</li> <li>➤ Elected Members Development is a standing agenda item in the Members Working Group which meets quarterly enabling Members to give feedback on sessions required, and to give approval to the CPD Framework and the Personal Development Plan template and approach for all Elected Members.</li> <li>➤ Covid-19 caused some Elected Member Development sessions to be put on hold. Over the coming months, the training programme will be reintroduced and sessions reinstated via Microsoft Teams. A new weekly Elected Members CPD - Weekly Update will be sent out to all Members once the sessions have been reinstated.</li> <li>➤ Training and briefing sessions were arranged for Conveners / Vice Conveners ahead of the recent move to remote/hybrid committee meetings. Guidance was prepared for them to use outwith and at meetings, and pre-committee sessions held to ensure that Members had the appropriate knowledge and skills when chairing remote/hybrid meetings. This was also extended to non-Elected Members (sessions were provided for example to the External Members of the Education Operational Delivery Committee prior to the first hybrid meeting) and other groups including the SDPA and Gomel Trust.</li> <li>➤ Introduction of a Board structure to oversee Strategy, Transformation, Performance and Risk, drawing on the leadership team's capabilities and avoiding duplication in effort, which draws on the strength of all team members with less emphasis on hierarchy. This recognises the significant input to the pandemic response from all areas and levels of the workforce.</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2020/21
<b>F - Managing risk and performance through robust internal control and strong public financial management</b>	<ul style="list-style-type: none"> <li>➤ Internal Audit Plan for 2020/21 approved by Audit, Risk and Scrutiny Committee in February 2020 and adjusted by Urgent Business Committee in May 2020 to account for changes to the Plan as a result of the pandemic response and recovery efforts. Reports on progress of Internal Audit Plan 2020/21 reported to all meetings of Audit, Risk and Scrutiny Committee.</li> <li>➤ Internal Audit's Annual Report for 2019/20 presented to Audit, Risk and Scrutiny Committee in October 2020.</li> <li>➤ Consideration by the Corporate Management Team of a report on the Council's Control Environment (the Council's policies, processes and independent sources of assurance (e.g. audits, inspections etc.) and any possible impact of the pandemic, and the work undertaken on temporary changes to policies and the Scheme of Governance to support the response to the pandemic. The report also recommended that clusters keep the existing coronavirus legislation under review and raise any required / desirable changes to law with Legal Services. The Chief Officer – Governance continued to maintain an oversight of the control environment including through membership of the IMT and CMT Strategic Group. CMT Stewardship also had a role in monitoring the system of control as a whole.</li> <li>➤ Corporate and Cluster Risk Registers kept under continuous review and reported to Committees and relevant Boards, including EU Exit and Covid-19 pandemic.</li> <li>➤ Scenario Planning activities throughout the response to the pandemic to help identify potential risks and associated mitigating actions.</li> <li>➤ Establishment of a Covid-19 Surveillance Function within the Council in order to monitor the impact of Covid-19 on the place of Aberdeen and the organisation. Helped to identify risks and appropriate remedial action.</li> <li>➤ Contributed to the development of an Outbreak Control Plan with NHS Grampian to manage outbreaks of Covid-19 in the city and thereby reduce the risks to the city and the Council.</li> <li>➤ Assurance Maps developed for each Cluster in order to provide Audit, Risk and Scrutiny Committee with an overview of the sources of assurance across the organisation.</li> <li>➤ Risk Management Policy – introduction of policy and supporting documents including a Risk Appetite Statement to (a) provide practical guidance on the approach required to effectively manage risk; (b) set out the Council's approach to managing threats and opportunities through a risk appetite statement; (c) provide practical tools with which to manage risk in a way which supports the Council in its delivery plans and commissioning intentions; and (d) nurture a philosophy of risk intelligence and maturity through developing informed and proactive risk owners and managers.</li> <li>➤ Established a group "Risk Champions" that supports the Corporate Risk Lead, Risk Managers and Owners to embed the Council's risk management processes. Their role includes regular review and updates of risk registers across all operational areas and communicating the benefits of risk management and best practice with operational teams.</li> <li>➤ Meetings held regularly with each ALEO and held routinely during lockdown to maintain oversight of their financial, risk and governance profiles, including consideration of the impact of the pandemic.</li> <li>➤ Consideration at UBC in June 2020 of Financial Resilience Recovery Plan including an assessment of the risk that ALEOs presented the Council, based on the regular oversight and data collected.</li> <li>➤ Report to Audit, Risk and Scrutiny Committee in October 2020, providing an update, by exception, on the governance arrangements, financial management and risk management frameworks for each ALEO.</li> <li>➤ Implementation of a Board structure to manage Strategy, Performance, Transformation and Risk, overseen by the Corporate Management Team.</li> <li>➤ Regular meetings of Information Governance Group chaired by the Senior Information Risk Owner.</li> <li>➤ Organisational Resilience Group (ORG) retained oversight of, and tracked to completion, resilience actions following incident debriefs. ORG now reports to the Risk Board.</li> <li>➤ Business Continuity Policy updated and approved by Audit Risk and Scrutiny Committee. Business Continuity Plan Testing Schedule produced for 2021. Business Continuity "Heat Map" created to summarise and highlight critical service staffing requirements, single points of failure and key dependencies within Business Continuity Plans.</li> </ul>

CIPFA Principle of Good Governance	Sources of Assurance 2020/21
G - Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> <li>➤ Procurement Control Board managing and monitoring reduction of expenditure.</li> <li>➤ Approval of refreshed Counter Fraud Policy including comprehensive additional guidance and increased focus on prevention – incorporating bribery, corruption, money laundering and tax evasion.</li> <li>➤ Refresh of Counter Fraud training materials and approach to fraud risk assessment</li> <li>➤ Corporate Investigation Team minimising financial losses to the public purse because of fraudulent activities and undertaking additional activities to prevent fraud associated with Covid-19 response.</li> <li>➤ EU Exit Steering Group continued to meet, with membership including Chief Officers leading thematic Incident Management Teams prepared for activation as required. As noted above, a separate Risk category for EU-Exit Corporate, Cluster and Operational level risks was created to enable review of all EU Exit risks by the Steering Group and reported to the Corporate Management Team on a monthly basis.</li> <li>➤ 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.</li> <li>➤ Reporting throughout lockdown to the UBC on the Council's financial position in order to maintain a balanced budget in light of the impact of COVID-19</li> <li>➤ Approval of the Council's Medium Term Financial Strategy (MTFS), a 6 year plan which sets out the commitment to provide services that meet the needs of people locally, and represent good value for money. The MTFS is aligned to the Council Delivery Plan, which in turn aligns the Council's commitments to the vision and priorities of the Local Outcome Improvement Plan.</li> <li>➤ Revised Scheme of Governance approved in March 2021, taking on board feedback gathered from officers and Members through the year.</li> <li>➤ Corporate level monitoring and reporting of performance in the management of staff and finance to Staff Governance Committee and City Growth and Resources Committee.</li> <li>➤ Continuous monitoring of KPIs which populate the cluster level scorecards by officers with regular reporting to Committees and management teams showing current performance data, as well as relevant contextual analysis to support scrutiny and decision making.</li> <li>➤ Additional supplemental performance reporting to committees scheduled, as appropriate, to provide timely and full analysis in key areas e.g. annual educational attainment performance.</li> <li>➤ Ongoing scrutiny identifies improvement priorities, and the Council's committees, as well as officer groups (e.g ECMT), will consider and agree areas where formal improvement activity should be initiated.</li> <li>➤ Further development and use of technology to give stakeholders permanent access to the automated, up to date performance data, moving towards performance management and scrutiny being a continuous process rather than event.</li> <li>➤ Second annual review by Committees of their effectiveness against Terms of Reference initiated, with feedback taken on board from the previous year and adjustments made to the content – considered to be, 'best practice.'</li> <li>➤ Internal Audit reporting throughout the year to Audit, Risk and Scrutiny Committee in respect of progress on outstanding audit recommendations and progress of the agreed Internal Audit Plan.</li> <li>➤ Reporting of Inspections Planner to provide Audit, Risk And Scrutiny Committee with a timetable of anticipated and planned internal/external audits, third-party regulatory inspections and compliance audits that are specified within the "Third Line of Defence" on each Cluster Assurance Map.</li> <li>➤ Self-assessment against Financial Management Code standards undertaken, self-assessment shared with Corporate Management Team, gap analysis reviewed by Corporate Management Team, plans in place for wider communication and engagement of findings of FM Code self-assessment.</li> <li>➤ Internal audit of financial resilience risk undertaken</li> </ul>

### SECTION 3 MONITORING IMPLEMENTATION AND FUTURE DEVELOPMENTS

In 2021/22 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 Risk Board, Transformation Board, Strategy Board and Performance Board, all reporting into Corporate Management Team.

The table below highlights the primary actions planned in 2021/22.

**Table B**

CIPFA Principle of Good Governance	Primary Actions Planned 2021/22
<b>A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	<ul style="list-style-type: none"> <li>➤ Preparations for follow up review by CIPFA in respect of Mark of Excellence awarded in 2020</li> <li>➤ Monitoring and annual review of Scheme of Governance to ensure that it continues to provide effective assurance for Members and officers, Including Member Officer Relations Protocol to ensure consistency of application and Member/Officer behaviours</li> <li>➤ Third annual review by Committees of their effectiveness against Terms of Reference.</li> <li>➤ Dependent on changes to Scheme of Governance proposed and approved, refresher training to be undertaken with Members, External Members and TU Advisers on any amendments. Refresher training on other aspects of their roles including planning, licensing and pensions.</li> <li>➤ Review of policies as and when required</li> <li>➤ All committee reports monitored by a lawyer, with a legal advisor being present at each committee meeting, to ensure the rule of law is respected.</li> <li>➤ Tracking of guidance and regulations relating to COVID-19 to ensure compliance across all Council services.</li> </ul>
<b>B - Ensuring openness and comprehensive stakeholder engagement</b>	<ul style="list-style-type: none"> <li>➤ Annual review of the ALEO Assurance Hub Terms of Reference in consultation with ALEOs</li> <li>➤ Working alongside Integration Joint Board in respect of the recent inclusion of IJBs within the Civil Contingencies Act 2004 as Category 1 responders</li> <li>➤ The Customer Feedback Team and access to information team working with services to improve the quality and speed of responses to customers</li> <li>➤ Further development of the Council's chatbot to enhance the experience and to improve accessibility such as translation and voice recognition as well as embedding on our social media channels to widen our customer audience.</li> <li>➤ Further development of integrated approach to streamline access to services and enhanced partnership working</li> <li>➤ Promotion of the use of Service design methodology which ensures we work with our customers and partners to codesign service provision and improvements</li> <li>➤ Targeted improvement activity in key service areas to drive customer centricity aligned with the We Care Charter Participation in UNICEF'S Child Friendly Partners Programme for Child Friendly Cities and Communities</li> <li>➤ Introduction of new online form for impact assessments which accompany committee reports to include additional legislation in respect of human rights, the Fairer Scotland Duty and Children's Rights.</li> <li>➤ Use of public values simulator to gather views from public on priorities for the refreshed LOIP</li> <li>➤ Further development of Locality Empowerment Groups established in 2020 to support engagement with communities across the North, South and Central localities of Aberdeen in development and delivery of LOIP and Locality Plans</li> </ul>

CIPFA Principle of Good Governance	Primary Actions Planned 2021/22
C - Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>➤ Phase 2 Review of Locality Planning to understand how we can improve links between and with community groups to deliver improved outcomes across the City and for localities</li> <li>➤ Review of Community Planning Aberdeen Engagement, Participation and Empowerment Strategy</li> <li>➤ Review of Tenant Participation Strategy</li> <li>➤ Expand use of Participatory Budgeting</li> </ul>
D - Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> <li>➤ Review of support to Trusts to ensure that funding and support is aligned with outcomes.</li> <li>➤ The LOIP will be refreshed in 2021, founded upon an up to date Population Needs Assessment and incorporating relevant actions from the Socio-Economic Rescue Plan approved and implemented by the council during 2020 in response to the Covid-19 pandemic.</li> <li>➤ The Strategic Commissioning Committee will monitor and approve commissioning activity to help ensure that the needs and outcomes specified in the LOIP are being achieved.</li> <li>➤ The Strategic Commissioning Committee will monitor the impact of activity on outcomes through annual performance reports for community planning, Council and ALEOs.</li> <li>➤ Further rollout 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 and was incorporated into the Council's single system Performance Management Framework at the end of 2019/20.</li> <li>➤ Monitoring of progress in relation to the Net Zero Vision at the City Growth and Resources Committee and also as part of the Council's existing statutory annual Climate Change Report.</li> </ul>
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> <li>➤ Preparation and collation of data for third annual effectiveness report to Committees. Review of annual report after each year to ensure that format is effective, taking on feedback from Members.</li> <li>➤ Development, approval and implementation of the Council's Transformation Blueprint 1.2.</li> <li>➤ Review of the Outside Bodies policy and outside appointments 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. Taking on board the impact of COVID-19, the revised CPA Improvement Programme, alongside the socio economic rescue plan will be used as the starting stages of the route map to the refreshed Local Outcome Improvement Plan to be presented in Summer 2021.</li> <li>➤ Work towards recovery of economy through working with the business community, promoting opportunities in digital to enable new ways of working, and skills development to address employment gaps in sectors such as health and care</li> <li>➤ Piloting an accredited course for young parents to aid them back into education or employment using Google classroom</li> <li>➤ Supporting communities to prepare Community Resilience Plans for the future</li> <li>➤ Working closely with partners, customers and communities to deliver inclusive, whole system redesign. Partnership work will be driven through both Community Planning Aberdeen and the north east Multi-Agency Transformation Management Group.</li> <li>➤ Development of the Council's proposed delivery plan for 22/23 taking into account past and present performance against outcomes and commissioning intentions.</li> <li>➤ Review in June 2021 of the new approach to internal recruitment and movement of staff at Staff Governance Committee.</li> <li>➤ Collaboration with UNICEF to develop an accessible professional learning programme for the wider workforce which tracks impact on practice in respect of the United Nations Convention on the Rights of the Child (UNCRC)</li> <li>➤ Consideration of the flexibility of our workforce and the ability to respond to different demands and a different working environment. Much of this will be derived from the responses from our recent/ongoing Future of Work survey and the projects springing from this around worker styles. Digital engagement work will be evidence-based, looking at our adoption rates and how we digitally connect all of our staff, particularly the frontline.</li> </ul>

CIPFA Principle of Good Governance	Primary Actions Planned 2021/22
<b>F - Managing risk and performance through robust internal control and strong public financial management</b>	<ul style="list-style-type: none"> <li>➤ Consideration will also be given to the future use of assets in light of COVID-19 and the change to working habits, taking account of the survey results above</li> <li>➤ Development planning sessions for new and existing Chief Officers. Development of new Elected Member Development Microsoft Teams Site to become the focal point of communication and announcements on training sessions and be a point of reference for information and questions.</li> <li>➤ Review of existing guidance, training and information ahead of local government elections in 2022 to assist and support those who are interested in standing as a Councillor and ensure that they have a robust and supportive development plan in place upon taking up their role</li> <li>➤ Review of People Policies, updating them to align with, and act as behaviour reinforcers for, the Guiding Principles.</li> <li>➤ Review of Performance Management Framework to evidence the delivery of better outcomes.</li> <li>➤ Updates to Risk Management Guidance, Committee Report, Business Case and Executive Board templates and guidance documentation to reflect Risk Appetite Statement.</li> <li>➤ Implementation of risk appetite statement supported by training and engagement activities for Committees, Elected Members and Officers.. This will include the Leadership Forum and Risk Champions.</li> <li>➤ Establish process to identify and record and report risks contained within Strategy Documents.</li> <li>➤ Development of Risk Horizon Scanning processes and reporting to Risk Board.</li> <li>➤ Embedding the roles and activities of the Policy Group across the organisation including the Executive Boards.</li> <li>➤ Build health and safety Manager's Portal within Assurance 365 to track audits, fire risk assessments, compliance monitoring, workplace inspections and incident investigations.</li> <li>➤ Development of Business Continuity Policy supporting documentation and plan templates in conjunction with the Business Continuity Group.Business Continuity Plan Testing in accordance with the 2021 Testing Schedule. Development of Business Continuity external website pages.</li> <li>➤ Development of approach to strategic resource allocation to further shape where and how resources are deployed, attaining greater understanding of how resources align to outcomes and the related impact and consequences of decisions.</li> <li>➤ Further review of alignment between commissioning intentions, service standards and budget allocations thereby ensuring focus on the very highest of priorities and on the most important outcomes.</li> <li>➤ Where funding levels cannot sustain existing commissioning intentions and service standards, a clear set of decommissioning intentions and service standard reductions will be submitted to Council.</li> <li>➤ The scale of service redesign will have to increase to address the emerging financial scenarios.</li> <li>➤ Capital investment revenue implications will be incorporated into scenario plans, both from ongoing operational delivery and capital financing perspectives.</li> <li>➤ Revenue implications of capital investment opportunities will be identified and agreed with the Chief Officer – Finance to support the Council's scenario planning.</li> <li>➤ Care will be taken in relation to the unknown aspects arising from the pandemic and the potential additional costs that may emerge in respect of the capital programme, and the Council will consider how it creates flexibility in the capital programme to increase contingencies.</li> <li>➤ Roll out of Counter Fraud training and completion of Council-wide risk assessment</li> <li>➤ Introduction of online process for consultation of committee reports, including incorporation of current committee business planners into process to ensure clear reporting lines, timescales and accountability.</li> <li>➤ Implementation of a risk based Internal Audit Plan for 2021/22 and development of proposals for 22/23 planning.</li> </ul>
<b>G - Implementing good practices in transparency, reporting and audit to</b>	

CIPFA Principle of Good Governance	Primary Actions Planned 2021/22
deliver effective accountability	<ul style="list-style-type: none"> <li>➢ Reporting to Audit, Risk and Scrutiny on all planned audit activity, both internal and external, to ensure that there is clear understanding of the wider control environment.</li> <li>➢ Monitoring of ALEOs through annual workplan</li> <li>➢ Further development of committee effectiveness reports.</li> <li>➢ Implementation of actions arising from FM Code self-assessment and further to External Audit review of FM Code self-assessment. Monitoring the FM Code self-assessment will be embedded into governance with a role for Audit Risk and Scrutiny Committee, CMT and Risk Board. Action planning will be embedded into risk management of the Institutional Financial Resilience risk.</li> <li>➢ Implementation of recommendations of financial resilience risk internal audit</li> <li>➢ Implementation of recommendations of the Best Value Report 2021</li> </ul>

## SECTION 4 SIGNIFICANT GOVERNANCE ISSUES ACTION PLAN

The Annual Governance Statement from 2019/20 identified no significant governance issues.

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. The Corporate Management Team further considers that there were no significant governance issues in 2020/21.

**Table C**

Issue Ref.	Issue Description	Source of Evidence	Action
	No new issues in 2020/21		
	None		

## SECTION 5 LEVEL OF ASSURANCE OBTAINED

The Council has undertaken a self-evaluation of its Local Code of Corporate Governance as at 31 March 2021. This demonstrates that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its systems of governance.

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 ,

Angela Scott  
Chief Executive

Councillor Jennifer Laing  
Leader of the Council

## **Remuneration Report**

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

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

### Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2020 (SSI No. 2020/26) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2019 (SSI No. 2019/23). 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 2020/21, the salary of the Leader of Aberdeen City Council is £41,662. 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, £31,248.

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 £466,455. 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, £31,248, with the remaining Senior Councillors receiving 75 per cent of that sum, £23,436.

In 2020/21, Aberdeen City Council had 17 Senior Councillor posts. The salary and allowances paid to them totalled £456,060 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.

<b>Remuneration Band</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Remuneration Band (cont'd)</b>	<b>2019/20</b>	<b>2020/21</b>
£50,000 - £54,999	133	230	£155,000 - £159,999	2	-
£55,000 - £59,999	151	171	£160,000 - £164,999	1	2
£60,000 - £64,999	41	55	£165,000 - £169,999	-	-
£65,000 - £69,999	19	25	£170,000 - £174,999	-	-
£70,000 - £74,999	9	6	£175,000 - £179,999	-	-
£75,000 - £79,999	7	6	£180,000 - £184,999	-	1
£80,000 - £84,999	4	2	£185,000 - £189,999	-	-
£85,000 - £89,999	13	16	£190,000 - £194,999	1	-
£90,000 - £94,999	1	7	£200,000 - £204,999	-	-
£95,000 - £99,999	1	1	£205,000 - £209,999	-	-
£100,000 - £104,999	1	-	£210,000 - £214,999	-	-
£105,000 - £109,999	1	1	£220,000 - £224,999	1	-
£110,000 - £114,999	2	1	£225,000 - £229,999	-	-
£115,000 - £119,999	-	1	£230,000 - £234,999	-	-
£120,000 - £124,999	3	3	£235,000 - £239,999	-	-
£125,000 - £129,999	1	-	£240,000 - £244,999	1	-
£130,000 - £134,999	-	-	£245,000 - £249,999	-	-
£135,000 - £139,999	1	-	£250,000 - £254,999	-	-
£140,000 - £144,999	-	-	£255,000 - £259,999	-	1
£145,000 - £149,999	1	-			
£150,000 - £154,999	-	-			
<b>Total</b>			<b>Total</b>	395	529

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: Details of total remuneration paid to the Council's Councillors.**

	<b>2019/20 £</b>	<b>2020/21 £</b>
Salaries	957,736	982,516
Allowances	-	-
Expenses	39,134	5,344
<b>Total</b>	<b>996,870</b>	<b>987,860</b>

**Table 3: Details of exit packages.**

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Exit Packages Approved		Cost of Exit Packages £'000					
	2019/20	2020/21	2019/20	2020/21	2019/20			2020/21		
					Benefits to Employee	Strain on Fund	Total	Benefits to Employee	Strain on Fund	Total
£0 - £19,999	-	-	53	25	569	50	619	158	87	245
£20,000 - £39,999	-	-	24	11	466	179	645	168	113	281
£40,000 - £59,999	-	-	13	2	231	382	613	27	74	101
£60,000 - £79,999	-	-	3	3	32	175	207	88	106	194
£80,000 - £99,999	-	-	5	2	68	387	455	27	148	175
£100,000 - £149,999	-	-	7	2	100	769	869	28	230	258
£150,000 - £199,999	-	-	1	1	17	133	150	13	143	156
£200,000 - £249,999	-	-	2	1	31	398	429	8	199	207
£250,000 - £299,999	-	-	-	-	-	-	-	-	-	-
£300,000 - £349,999	-	-	1	-	17	311	328	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>109</b>	<b>47</b>	<b>1,531</b>	<b>2,784</b>	<b>4,315</b>	<b>517</b>	<b>1,100</b>	<b>1,617</b>

**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.

2019/20	Councillor Name	Responsibility	2020/21				Notes
			Salary, Fees and Allowances £	Non-Cash Expenses & Benefits-In-Kind £	Other Expenses £	Total Remuneration £	
40,847	Jennifer Laing	Co Council Leader	41,662	87	-	41,749	1
31,307	Douglas Lumsden	Co Council Leader	31,248	79	-	31,327	2
41,393	Barney Crockett	Lord Provost	31,248	85	-	31,333	
31,422	Jennifer Stewart	Depute Lord Provost	31,248	84	623	31,955	3
30,657	Ryan Houghton	Business Manager	31,248	79	-	31,327	4
2,473	Alex Nicoll	Convener, Audit, Risk and Scrutiny	31,248	79	-	31,327	
23,444	Stephen Flynn	Convener, Audit, Risk and Scrutiny (until 5 January 2020)	-	-	-	-	
23,082	Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	23,436	-	-	23,436	
30,657	Yvonne Allan	Convener, Staff Governance	31,248	79	-	31,327	5
25,422	Philip Bell	Vice Convener, Operational Delivery	23,436	79	-	23,515	
23,012	Freddie John	Vice Convener, Strategic Commissioning	23,436	79	-	23,515	
31,392	John Wheeler	Convener, Operational Delivery	31,248	79	-	31,327	6
23,089	Lesley Dunbar	Vice Convener, Public Protection	23,436	99	-	23,535	
23,559	Gordon Graham	Vice Convener, Operational Delivery	23,436	715	-	24,151	
41,877	John Reynolds	Convener, Licensing Committee	31,988	79	357	32,424	7
30,736	Marie Boulton	Convener, Capital Programme	31,248	79	-	31,327	8
23,006	Ross Grant	Vice Convener, City Growth and Resources	23,436	-	-	23,436	
23,081	Sarah Duncan	NHS/Social Care Integration Joint Board & Social Care Spokesperson	23,436	84	-	23,520	
27,136	Mohammed Tauqueer Malik	Convener, Pensions	23,436	79	-	23,515	9
17,220	Claire Imrie	Mental Health Spokesperson	17,854	79	-	17,933	
<b>544,812</b>	<b>Total</b>		<b>528,976</b>	<b>2,023</b>	<b>980</b>	<b>531,979</b>	

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

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

2019/20	2019/20*	Name	Post Title	2020/21	2020/21		
Full Time Equivalent £	Total Remuneration £			Full Time Equivalent £	Salary, Fees and Allowances £	Compensation for Loss of Employment £	Total Remuneration £
155,949	155,949	Angela Scott	Chief Executive	160,628	160,628	-	160,628
121,129	121,129	Andy MacDonald	Director of Customer Services	124,763	124,763	-	124,763
121,129	41,075	Frank McGhee	Director of Commissioning (until 30 April 2019)	-	-	-	-
121,129	121,129	Rob Polkinghorne	Chief Operating Officer	124,763	124,763	-	124,763
121,129	121,129	Steven Whyte	Director of Resources	124,763	124,763	-	124,763
89,337	89,337	Jonathan Belford	Chief Officer - Finance	92,017	92,017	-	92,017
89,337	90,865	Fraser Bell	Chief Officer - Governance (Monitoring Officer)	92,017	92,017	-	92,017
85,597	85,797	Gale Beattie	Chief Officer - Strategic Place Planning	88,165	88,165	-	88,165
85,597	85,597	Richard Sweetnam	Chief Officer - City Growth	88,165	88,165	-	88,165
89,337	89,337	Graeme Simpson	Chief Social Work Officer	92,017	92,017	-	92,017
77,224	77,224	Eleanor Sheppard	Chief Education Officer	92,017	91,844	-	91,844
	<b>1,078,568</b>	<b>Total</b>			<b>1,079,142</b>	-	<b>1,079,142</b>

\* 2019/20 figures restated to remove Lead Social Worker postholders incorrectly identified as Chief Social Work Officer.

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: 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.**

2019/20		2020/21				
Total Remuneration £	Name	Post Title	Salary, Fees and Allowances £	Compensation for Loss of £	Benefits Other Than in Cash £	Total Remuneration £
99,900	Alistair Robertson	Managing Director Sport Aberdeen Ltd	98,100	-	-	98,100
-	Gail Woodcock	Acting Managing Director Bon Accord Support Services Ltd	56,017	-	-	56,017
58,658	Alexis Chappell	Managing Director Bon Accord Support Services Ltd (until 31 August 2020)	42,841	-	-	42,841
48,548	Alistair MacLean	Acting Managing Director Bon Accord Support Services Ltd (until 31 August 2019)	-	-	-	-
<b>207,106</b>	<b>Total</b>		<b>196,958</b>	-	-	<b>196,958</b>

Pension Benefits

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

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

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

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

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

The tiers and members contribution rates are as follows:

Pensionable pay	Contribution rate 2019/20	Pensionable Pay (2020/2021)	Contribution rate 2020/21
On earnings up to and including £21,800	5.5%	On earnings up to and including £22,200	5.5%
On earnings above £21,800 and up to £26,700	7.25%	On earnings above £22,201 and up to £27,100	7.25%
On earnings above £26,700 and up to £36,600	8.5%	On earnings above £27,101 and up to £37,200	8.5%
On earnings above £36,600 and up to £48,800	9.5%	On earnings above £37,201 and up to £49,600	9.5%
On earnings above £48,800	12%	On earnings of £49,601 and above	12%

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) their annual pension for a lump sum payment up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49<sup>th</sup> of pensionable pay (from 2009 to 2015 the accrual rate guaranteed a pension based on 1/60th 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 2021.

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 2021.

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		Accrued Pension Benefits		
		For year to 31 March 2020 £	For year to 31 March 2021 £	As at 31 March 2021 £'000	Difference from 31 March 2020 £'000	
Jennifer Laing	Co Council Leader	7,868	8,041	Pension Lump Sum 9 2	1 -	
Douglas Lumsden	Co Council Leader	5,901	6,031	Pension 2	-	
Barney Crockett	Lord Provost	5,901	6,031	Pension Lump Sum 8 2	1 -	
Jennifer Stewart	Depute Lord Provost	5,901	6,031	Pension Lump Sum 6 2	- -	
Ryan Houghton	Business Manager	5,901	6,031	Pension 2	-	
Stephen Flynn	Convener, Audit, Risk and Scrutiny (until 5 January 2020)	4,505	-	Pension -	(3)	
Ian Yuill	Vice Convener, Audit, Risk and Scrutiny	4,426	4,523	Pension Lump Sum 6 2	1 -	
Yvonne Allan	Convener, Staff Governance	5,901	6,031	Pension Lump Sum 10 2	2 -	
Philip Bell	Vice Convener, Operational Delivery	4,426	4,523	Pension 2	1	
Freddie John	Vice Convener, Strategic Commissioning	4,426	4,523	Pension 2	1	
John Wheeler	Convener, Operational Delivery	5,901	6,031	Pension 2	-	
Lesley Dunbar	Vice Convener, Public Protection	4,426	4,523	Pension 4	1	
Gordon Graham	Vice Convener, Operational Delivery	4,426	4,523	Pension Lump Sum 6 2	1 -	
John Reynolds	Convener, Licensing Committee	5,901	6,031	Pension Lump Sum 9 2	1 -	
Marie Boulton	Convener, Capital Programme	5,901	6,031	Pension Lump Sum 7 2	- -	
Ross Grant	Vice Convener, City Growth and Resources	4,426	4,523	Pension 4	-	
Sarah Duncan	NHS/Social Care Integration Joint Board & Social Care Spokesperson	4,426	4,523	Pension 2	1	
Mohammed Tauqeer Malik	Convener, Pensions	4,448	4,523	Pension 3	-	
Claire Imrie	Mental Health Spokesperson	3,385	3,446	Pension 2	1	
<b>Total</b>		<b>98,396</b>	<b>95,919</b>	<b>Pension 86</b> <b>Lump Sum 16</b>	<b>9 -</b>	

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

**Table 8: Pension Benefits – Senior Employees**

Name	Post Title	In-year Pension Contributions by		Accrued Pension Benefits	
		For year to 31 March 2020*	For year to 31 March 2021	As at 31 March 2021 £'000	Difference from 31 March 2020 £'000
Angela Scott	Chief Executive	30,098	31,001	76	3
Andy MacDonald	Director of Customer Services	23,378	24,079	30 17	2 -
Frank McGhee	Director of Commissioning (until 30 April 2019)	1,948	-	Pension	-
Rob Polkinghorne	Chief Operating Officer	23,378	23,033	Pension	8
Steven Whyte	Director of Resources	23,378	24,079	Pension Lump Sum	44 61
Jonathan Belford	Chief Officer - Finance	17,242	17,759	Pension Lump Sum	38 61
Fraser Bell	Chief Officer - Governance (Monitoring Officer)	17,242	17,759	Pension	18
Gale Beattie	Chief Officer - Strategic Place Planning	16,520	17,016	Pension Lump Sum	29 44
Richard Sweetnam	Chief Officer - City Growth	16,520	17,016	Pension Lump Sum	27 22
Graeme Simpson	Chief Social Work Officer	17,242	17,760	Pension Lump Sum	34 48
Eleanor Sheppard	Chief Education Officer	16,027	21,124	Pension Lump Sum	32 71
<b>TOTAL</b>		<b>202,973</b>	<b>210,626</b>	<b>Pension</b>	<b>336</b>
				<b>Lump Sum</b>	<b>324</b>
					<b>19</b>

\* 2019/20 figures restated to remove Lead Social Worker postholders incorrectly identified as Chief Social Work Officer.

- 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 2020 £	For year to 31 March 2021 £	As at 31 March 2021 £'000	Difference from 31 March 2020 £'000	
Alistair Robertson	Managing Director Sport Aberdeen Ltd	9,360	9,360	Pension	59	2
Gail Woodcock	Acting Managing Director Bon Accord Support Services Ltd	-	8,515	Pension	-	-
Alexis Chappell	Managing Director Bon Accord Support Services Ltd (until 31 August 2020)	10,500	8,329	Pension	-	(1)
Alistair MacLean	Acting Managing Director Bon Accord Support Services Ltd (until 31 August 2019)	8,690	-	Pension	-	-
<b>Total</b>		<b>28,550</b>	<b>26,204</b>	<b>Total</b>	<b>59</b>	<b>1</b>

Angela Scott  
Chief Executive

Councillor Jennifer Laing  
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.*

	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
<b>Balance at 31 March 2019 brought forward</b>	<b>(35,054)</b>	<b>(12,308)</b>	<b>(10,825)</b>	<b>(482)</b>	<b>(58,669)</b>	<b>(1,230,244)</b>	<b>(1,288,913)</b>
<b>Movement in Reserves during 2019/20</b>							
Total Comprehensive Income & Expenditure	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
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>1,706</b>	<b>(505)</b>	<b>(853)</b>	<b>0</b>	<b>348</b>	<b>72,598</b>	<b>72,946</b>
Transfers to/(from) Reserves	(1,946)	5	301	0	(1,640)	1,640	0
<b>(Increase)/Decrease in Year</b>	<b>(240)</b>	<b>(500)</b>	<b>(552)</b>	<b>0</b>	<b>(1,292)</b>	<b>74,238</b>	<b>72,946</b>
<b>Balance at 31 March 2020</b>	<b>(35,294)</b>	<b>(12,808)</b>	<b>(11,377)</b>	<b>(482)</b>	<b>(59,961)</b>	<b>(1,156,006)</b>	<b>(1,215,967)</b>

	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
<b>Balance at 31 March 2020 brought forward</b>	<b>(35,294)</b>	<b>(12,808)</b>	<b>(11,377)</b>	<b>(482)</b>	<b>(59,961)</b>	<b>(1,156,006)</b>	<b>(1,215,967)</b>
<b>Movement in Reserves during 2020/21</b>							
Total Comprehensive Income & Expenditure	(11,520)	2,165	0	0	(9,355)	(187,846)	(197,201)
Adjustments between accounting basis & funding basis under regulations (note 5)	(22,283)	(3,673)	(2,380)	(1,748)	(30,084)	30,084	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(33,803)</b>	<b>(1,508)</b>	<b>(2,380)</b>	<b>(1,748)</b>	<b>(39,439)</b>	<b>(157,762)</b>	<b>(197,201)</b>
Transfers to/(from) Reserves	(2,506)	(399)	1,857	1,048	0	0	0
<b>(Increase)/Decrease in Year</b>	<b>(36,309)</b>	<b>(1,907)</b>	<b>(523)</b>	<b>(700)</b>	<b>(39,439)</b>	<b>(157,762)</b>	<b>(197,201)</b>
<b>Balance at 31 March 2021</b>	<b>(71,603)</b>	<b>(14,715)</b>	<b>(11,900)</b>	<b>(1,182)</b>	<b>(99,400)</b>	<b>(1,313,768)</b>	<b>(1,413,168)</b>

### Comprehensive Income and Expenditure Statement

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

2019/20				2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
331,792	(50,745)	281,047	Operations	355,076	(69,606)	285,470
101,141	(63,804)	37,337	Customer	102,340	(60,378)	41,962
13,991	(5,004)	8,987	Commissioning	41,806	(12,468)	29,338
217,171	(183,672)	33,499	Resources	125,703	(105,681)	20,022
33,809	(9,547)	24,262	Place	0	0	0
5,613	(2,309)	3,304	Governance	0	0	0
236,585	(145,172)	91,413	Integration Joint Board	258,192	(163,936)	94,256
43,712	(821)	42,891	Corporate	24,853	(2,761)	22,092
125,166	(100,460)	24,706	Housing Revenue Account	142,707	(103,088)	39,619
<b>1,108,980</b>	<b>(561,534)</b>	<b>547,446</b>	<b>Cost of Services</b>	<b>1,050,677</b>	<b>(517,918)</b>	<b>532,759</b>
1,137	0	1,137	Other Operating Expenditure (note 8)	349	(1,495)	(1,146)
164,086	(54,307)	109,779	Financing and Investment Income and Expenditure (note 9)	97,076	(47,541)	49,535
0	(501,797)	(501,797)	Taxation and Non Specific Grant Income (note 10)	0	(590,503)	(590,503)
<b>1,274,203</b>	<b>(1,117,638)</b>	<b>156,565</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,148,102</b>	<b>(1,157,457)</b>	<b>(9,355)</b>
		(11,118)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			24,249
		0	(Surplus)/deficit on revaluation of available for sale financial assets			0
		(70,606)	Actuarial (gains)/losses on pension assets/liabilities			(212,095)
		(1,895)	Other (gains)/losses			0
		<b>(83,619)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(187,846)</b>
		<b>72,946</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(197,201)</b>

The accompanying notes form an integral part of these financial statements

**Balance Sheet**

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

<b>1 April 2019 £'000</b>	<b>31 March 2020 £'000</b>		<b>Note</b>	<b>31 March 2021 £'000</b>
2,438,886	2,405,949	Property, Plant & Equipment	28	2,386,544
197,691	197,819	Heritage Assets	27	198,068
145,832	195,545	Investment Property	26	191,968
17,638	17,090	Long Term Investments	38	16,343
7,592	7,539	Long Term Debtors	38	742
<b>2,807,639</b>	<b>2,823,942</b>	<b>Long Term Assets</b>		<b>2,793,665</b>
70,520	101,542	Cash and Cash Equivalents	17	119,699
45,213	50,454	Short Term Investments	38	40,277
92,158	96,981	Short Term Debtors	33	139,389
1,832	2,017	Inventories	32	2,071
5,693	15,200	Assets Held for Sale	31	13,700
<b>215,416</b>	<b>266,194</b>	<b>Current Assets</b>		<b>315,136</b>
(197,228)	(208,162)	Short Term Borrowing	38	(232,391)
(80,860)	(99,260)	Short Term Creditors	34	(117,073)
(5,259)	(2,253)	Short Term Provisions	35	(549)
(4,230)	(3,020)	PPP Short Term Liabilities	30	(4,638)
(5,607)	(6,129)	Accumulated Absences Account	13	(7,423)
(2,989)	(712)	Grants Receipts in Advance - Revenue	37	(2,909)
(13,091)	(25,104)	Grants Receipts in Advance - Capital	37	(21,047)
<b>(309,264)</b>	<b>(344,640)</b>	<b>Current Liabilities</b>		<b>(386,030)</b>

<b>1 April 2019 £'000</b>	<b>31 March 2020 £'000</b>		<b>Note</b>	<b>31 March 2021 £'000</b>
(895,954)	(1,026,809)	Long Term Borrowing	38	(1,003,256)
(58,029)	(57,602)	Finance Lease	25	(57,141)
(13)	0	Long Term Creditors	38	0
(551)	(613)	Long Term Provisions	35	(551)
(138,223)	(135,202)	PPP Long Term Liabilities	30	(130,565)
(332,108)	(309,303)	Pension Liabilities	22	(118,090)
<b>(1,424,878)</b>	<b>(1,529,529)</b>	<b>Long Term Liabilities</b>		<b>(1,309,603)</b>
<b>1,288,913</b>	<b>1,215,967</b>	<b>Net Assets</b>		<b>1,413,168</b>
<b>Usable Reserves:</b>				
(35,054)	(35,294)	General Fund Balance		(71,603)
(12,308)	(12,808)	Housing Revenue Account		(14,715)
(10,825)	(11,377)	Statutory and Other Reserves		(11,900)
(482)	(482)	Capital Grants Unapplied Account		(1,182)
(1,230,244)	(1,156,006)	Unusable Reserves	13	(1,313,768)
<b>(1,288,913)</b>	<b>(1,215,967)</b>	<b>Total Reserves</b>		<b>(1,413,168)</b>

The accompanying notes form an integral part of these financial statements

Jonathan Belford, CPFA  
Chief Officer – Finance  
30 June 2021

**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.

2019/20 £'000		2020/21 £'000
(156,565)	Net Surplus or (Deficit) on the provision of services	9,355
262,525	Adjust net surplus or deficit on the provision of services for non cash movements (note 14)	135,043
(30,015)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(80,053)
75,945	Net cash flows from Operating Activities (note 14)	64,345
(166,548)	Net cash flows from Investing Activities (note 15)	(34,395)
121,625	Net cash flows from Financing Activities (note 16)	(11,793)
31,022	Net increase or (decrease) in cash and cash equivalents	18,157
70,520	Cash and cash equivalents at the beginning of the reporting period	101,542
<b>101,542</b>	<b>Cash and cash equivalents at the end of the reporting period (note 17)</b>	<b>119,699</b>

The accompanying notes form an integral part of these financial statements

## **Notes to the Accounts**

### **1. Accounting Policies**

#### **i Basis of Preparation**

"The Chief Officer – Finance is responsible for making an annual assessment of whether it is appropriate to prepare the accounts on a going concern basis. In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, an authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future if it can only be discontinued under statutory prescription. The Council has significant net assets, investments and cash and a track record of preparing a balanced budget which incorporates significant savings that are subsequently achieved. The Covid-19 outbreak has had a significant impact on the finance and operations of the Council. By continued assessment and governance the Council has put robust measures in place to ensure strong financial management of its activities which demonstrates our ability to continue as a going concern. Work continues to assess the impact as outlined on page 3 and undertake mitigating actions to return to a balanced budget. Taken together, the Chief Officer – Finance has determined that it remains appropriate to prepare the financial statements on a going concern basis."

#### **ii General Principles**

The Annual Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year ended 31 March 2021. 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 2020/21 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.

#### **iii 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.

#### **iv 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.

#### **v 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.

#### **vi 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.

## vii Employee Benefits

### Benefits Payable during Employment

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

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Corporate 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 1.6%.
- The assets of the North East Scotland Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unitised securities – current bid price; and
  - property – market value.
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate; 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.

#### **viii 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.

#### **ix 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.

#### **x 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.

## **xii 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.

## **xiii 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.

## **xiv 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).

#### **xiv Interests in Companies and Other Entities**

The Council has material interests in companies and other entities. In line with the level of Control that the Council exerts over these entities, they can be classified as Subsidiaries, Associates and Joint Ventures. The Council is required to prepare Group Accounts incorporating all of these entities. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at net worth.

#### **xv Inventories**

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

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

#### **xvi Investment Properties**

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

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

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

#### **xvii Jointly Controlled Operations**

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

#### **xviii Leases**

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

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

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

arrangement is dependent on the use of specific assets.

#### The Council as Lessee

##### *Finance Leases*

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

Lease payments are apportioned between:

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

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

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

##### *Operating Leases*

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

#### The Council as Lessor

##### *Operating Leases*

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening

balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

## **xx Property, Plant and Equipment**

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

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. For the purposes of component accounting, in line with the methodology of Social Housing, additions to Council Dwellings will be discounted at an appropriate rate. The 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.

#### **xxi Public Private Partnerships (PPP) and Similar Contracts**

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

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

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

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

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

#### **xxii Provisions, Contingent Liabilities and Contingent Assets**

##### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be exposed to liabilities from court cases that could

eventually result in the making of a settlement or the payment of compensation, e.g. equal pay claims, or consider that over time the collection of income will become more difficult and thereby fail to secure the full value of the debt, or may have made a decision in relation to changes in service delivery from which costs arise, e.g. redundancy costs.

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

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

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

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

#### Contingent Liabilities

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

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

#### Contingent Assets

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

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

#### **xxiii Reserves**

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to 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.

#### **xxiv 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.

#### **xxv VAT**

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

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

### **New accounting standards**

The Code of Practice on Local Authority accounting for 2020/21 was revised to include the latest International Financial Reporting Standards (IFRS) coming into effect:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors: Definition of material
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- Amendments to References to the Conceptual Framework in IFRS Standards

These changes have been considered as part of the preparation of the Council's accounts for 2019/20 and are not considered to have a material impact on the financial statement.

### **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:

- Definition of a Business: Amendments to IFRS 3 Business Combinations – this updates an outdated reference to the 1989 Conceptual Framework

- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7, and Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The Interest Rate Benchmark Reform (Phase 1 and Phase 2). This relates to the replacement of benchmark interest rates such as London Interbank Offered Rate (LIBOR) and other Interbank Offered Rates (IBORS). LIBOR is a benchmark interest rate at which major global banks lend to one another in the international interbank market for short-term loans.

As a result of the removal of LIBOR amendments have been made to accounting standards IFRS 9 Financial Instruments, IAS 39 Financial Instruments: recognition and measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases, to address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate.

This will have no impact on the Council's balances as they have no financial instruments that are affected by this change. This has been confirmed by the Council's Treasury advisers.

### **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 £190 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 :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 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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	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 2021 and can be relied upon.	
Property, Plant and Equipment Depreciation	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council were to reduce its spending on repairs and maintenance it could bring into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that for a building worth £30 million with a useful life of 35 years, the annual depreciation charge would increase by £25,210 if the useful life had to be reduced by one year.
Council Dwellings – Housing Stock	Council dwellings are valued combining the Beacon Method which aggregates the vacant possession values of each unit of housing stock and the investment approach where the gross rental income is capitalised adopting an appropriate investment yield. The beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The investment yield applied is 7.5%.	If the investment yield is increased by 0.25%, this would lead to a corresponding decrease in the total value of council dwellings of £26.5m. If the investment yield is reduced by 0.25%, this would lead to a corresponding increase in the total value of council dwellings of £28.3m.
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 £32.6 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 £33.2 million. The interaction of assumptions is therefore extremely complex. See note 22 for further assumptions.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2021 the Council had a balance of short term debtors of £139.61 million. This is net of an allowance for the impairment of debt of £74.68million.	If collection rates were to deteriorate, an increase of 1% on impairment would require a further provision of £1.396 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 (68) 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.

2019/20	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Statutory & Other Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non current assets	(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)	4,626	0	0	0	0	(4,626)
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 Statement</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	0	(29,156)
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(853)	813	0	40
Proceeds from sale of non current assets	1,324	111	0	(1,435)	0	0
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset disposals	(130)	(492)	0	622	0	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	431	0	0	0	0	(431)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the CIES	(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)
<b>Adjustments involving the Accumulated Absences Account:</b>						
Adjustments in relation to short term compensated absences	(524)	0	0	0	0	524
<b>Total Adjustments</b>	<b>(123,689)</b>	<b>(31,674)</b>	<b>(853)</b>	<b>0</b>	<b>0</b>	<b>156,217</b>

2020/21	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					
<b>Adjustments involving the Capital Adjustment Account (CAA):</b>									
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>									
Charges for depreciation and impairment of non current assets	(50,294)	(34,222)	0	0	0	0	84,516		
Revaluation losses on Property, Plant and Equipment	(2,616)	(47,602)	0	0	0	0	50,218		
Capital grants and contributions applied	42,856	43,854	0	0	0	0	(86,710)		
Write off carrying amount of non current assets sold	(1,188)	0	0	0	0	0	1,188		
Write off carrying amount of non current assets scrapped	0	0	0	0	0	0	0		
Statutory provision for the financing of Capital spend (3R's)	3,448	0	0	0	0	0	(3,448)		
Movement in the fair value of Investment Properties	(5,167)	0	0	0	0	0	5,167		
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>									
Loan principal repayments during the year	7,217	1,767	0	0	0	0	(8,984)		
Capital expenditure charged against the General Fund and HRA balances and other statutory funds	265	33,390		0	0	0	(33,655)		
<b>Adjustments involving the Capital Receipts Reserve:</b>									
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(2,380)	2,334	0	0	46		
Proceeds from sale of non current assets	2,834	61	0	(2,895)	0	0	0		
Contribution from Capital Receipts Reserve towards the administrative costs of non current asset	(151)	(410)	0	561	0	0	0		
<b>Adjustments involving the Capital Grants Unapplied Account:</b>									
Capital grants and contributions unapplied credited to CIES	1,748	0	0	0	(1,748)	0	0		
Application of grants/transformation costs to capital financing	0	0	0	0	0	0	0		
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>									
Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	432	0	0	0	0	0	(432)		
<b>Adjustments involving the Pensions Reserve:</b>									
Reversal of items relating to retirement benefits debited or credited to the CIES	(52,685)	(1,361)	0	0	0	0	54,046		
Employer's pensions contributions and direct payments to pensioners payable in the year	32,291	873	0	0	0	0	(33,164)		
<b>Adjustments involving the Accumulated Absences Account:</b>									
Adjustments in relation to short term compensated absences	(1,273)	(23)	0	0	0	0	1,296		
<b>Total Adjustments</b>	<b>(22,283)</b>	<b>(3,673)</b>	<b>(2,380)</b>	<b>0</b>	<b>(1,748)</b>	<b>30,084</b>			

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

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

	Balance at 31 March 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance at 31 March 2020 £'000	Transfers In 2020/21 £'000	Transfers Out 2020/21 £'000	Balance at 31 March 2021 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
Devolved Education Management (Community Centres)	(542)			(542)			(542)	Community Education Centres funds c/forward
Devolved Education Management (School Funds)	(262)		138	(124)	(294)	124	(294)	School funds c/forward
Mither Kirk - Reburial of Remains	(25)		25	0			0	Reburial of Human Remains
Business Plan Service Option	0			0			0	Investment regarding delivery of 5 year business plan
Star Awards Sponsorship	(6)	(6)	6	(6)		6	0	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	(13)		13	0			0	2016/17 rebate from Xerox to fund various Data projects
Energy Efficiency Fund	(1,146)	(108)		(1,254)	(40)	35	(1,259)	Pump-prime funding for energy saving schemes
Bus Lane Enforcement	(788)		415	(373)		95	(278)	As required by the relevant legislation, net income from Bus Lane Enforcement to facilitate the objective's of the Local Transport Strategy
Property Transfer	(102)			(102)			(102)	Funding in relation to the transfer of Thomas Blake Glover House to the Council
Second/Long Term Empty Homes	(10,464)	(2,272)		(12,736)	(1,973)	49	(14,660)	Additional income generated by reducing the discounts which is to be used towards funding affordable housing.
Mens Shed	0			0			0	Contribution to Men's Shed social club, Dyce
HMT Roof Works	(35)		35	0			0	HMT Roof Works
Developing Young Workforce	(90)		90	0			0	To prepare young adults for the transition from education to the workplace
De-risk the Council	(405)	(1,406)		(1,811)	(1,803)		(3,614)	Cash backing for Council guarantees to external organisations
Transformation Fund	(7,003)		3,548	(3,455)	(2,000)	2,976	(2,479)	Funding set aside towards the ongoing transformation of the Council
Pupil Equity Fund	(1,195)	(925)	1,195	(925)		925	0	Scottish Government Grant to raise attainment in Schools
18/19 RSG Redetermination	(1,211)		1,211	0			0	Scottish Government Grant carried forward
<b>Sub Total</b>	<b>(23,287)</b>	<b>(4,717)</b>	<b>6,676</b>	<b>(21,328)</b>	<b>(6,110)</b>	<b>4,210</b>	<b>(23,228)</b>	

	Balance at 31 March 2019 £'000	Transfers In 2018/19 £'000	Transfers Out 2018/19 £'000	Balance at 31 March 2020 £'000	Transfers In 2020/21 £'000	Transfers Out 2020/21 £'000	Balance at 31 March 2021 £'000	Purpose of the Earmarked Reserve
<b>General Fund Continued</b>	<b>(23,287)</b>	<b>(4,717)</b>	<b>6,676</b>	<b>(21,328)</b>	<b>(6,110)</b>	<b>4,210</b>	<b>(23,228)</b>	
Community Justice Redesign Post	(12)			(12)		12	0	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	0			0			0	Specific equipment required for business/service needs, and to help drive forward productivity and efficiencies with in mobile working
Approved Project Funding	(143)		42	(101)		101	0	Funding carried forward to support a variety of projects, previously approved
Contribution to Environmental Body	(43)			(43)			(43)	To make payment to environmental body in due course, if required
Various Projects 2019/20	(1,231)		1,231	0			0	Provide funding to support a variety of projects approved in the 2019/20 Budget
Repairs & Maintenance Fund	0	(900)		(900)	(285)		(1,185)	Provide funding to support a variety of projects approved in the 2020/21 Budget
Public Analyst - James Hutton Institute	0	(125)		(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)		37	(26)	Provide ring fenced funding to support Children's Social Work - Mental Health Services.
Rapid Rehousing Transition Plan	0	(311)		(311)			(311)	Provide ring fenced funding to support Rapid Housing Transition Plan.
Additional Support for Learning	0	(507)		(507)		507	0	Provide Funding for Additional Support for Learning
Mental Health Day					(6)		(6)	To provide staff with support for Mental Health
Co Op Business Development Fund					(75)		(75)	To establish a cooperative to offer further supportive ways of providing food.
Socio Economic Recovery					(67)		(67)	to support implementation of actions within the Socio-Economic Rescue Plan agreed at the Urgent Business Committee on 30 <sup>th</sup> June.
ADM - Education					(385)		(385)	is for items/services requested by schools using staffing underspends for 20/21 that they have not received by year end
Grants-Covid				(33,633)		(33,633)		To provide support to local business & individuals as a result of Covid 19.
<b>Total General Fund</b>	<b>(24,716)</b>	<b>(6,623)</b>	<b>7,949</b>	<b>(23,390)</b>	<b>(40,561)</b>	<b>4,867</b>	<b>(59,084)</b>	

	Balance at 31 March 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance at 31 March 2020 £'000	Transfers In 2020/21 £'000	Transfers Out 2020/21 £'000	Balance at 31 March 2021 £'000		Purpose of the Earmarked Reserve
<b>Housing Revenue Account (HRA):</b>									
Housing repairs	(2,213)	(1,718)	2,213	(1,718)	(3,125)	1,718	(3,125)		Repairs ordered prior to the year end.
House Sales - Not right to buy	(308)	0	0	(308)	0	0	(308)		One-off vacant properties sold on open market.
<b>Total HRA</b>	<b>(2,521)</b>	<b>(1,718)</b>	<b>2,213</b>	<b>(2,026)</b>	<b>(3,125)</b>	<b>1,718</b>	<b>(3,433)</b>		
<b>Total Earmarked Reserves</b>	<b>(27,237)</b>	<b>(8,341)</b>	<b>10,162</b>	<b>(25,416)</b>	<b>(43,795)</b>	<b>6,585</b>	<b>(62,626)</b>		

2019/20	General Fund	HRA	2020/21	General Fund	HRA
	£'000	£'000			£'000
Total transfers in during the year	(6,623)	(1,718)	Total transfers in during the year	(40,670)	(3,125)
Total transfers out during the year	7,949	2,213	Total transfers out during the year	4,867	1,718
<b>Net movement in Earmarked reserves 2019/20</b>	<b>1,326</b>	<b>495</b>	<b>Net movement in Earmarked reserves 2020/21</b>	<b>(35,803)</b>	<b>(1,407)</b>

#### Other Statutory Funds:

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

Name of Fund	Balance at 1 April 2019 £'000	Transfers In 2019/20 £'000	Transfers Out 2019/20 £'000	Balance at 31 March 2020 £'000	Transfers In 2020/21 £'000	Transfers Out 2020/21 £'000	Balance at 31 March 2021 £'000	Purpose of the Earmarked Reserve
Capital	(8,575)	(941)	402	(9,114)	(2,562)	2,148	(9,528)	To meet the capital expenditure and the repayment of the principal on loans
Insurance	(1,916)	(461)	444	(1,933)	(644)	536	(2,041)	To meet the cost of uninsured claims
City Improvement	(329)	(3)	7	(325)	(1)	0	(326)	To meet the cost of carrying out improvements to the city as decided by the Council
Lord Byron	(5)	0	0	(5)	0	0	(5)	To meet the costs of maintaining Lord Byron's statue
<b>Total Statutory and Other Funds</b>	<b>(10,825)</b>	<b>(1,405)</b>	<b>853</b>	<b>(11,377)</b>	<b>(3,207)</b>	<b>2,684</b>	<b>(11,900)</b>	

## 7. Expenditure and Funding Analysis

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

2019/20			2020/21		
Net Expenditure chargeable to General Fund & HRA balances £'000	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000	Net Expenditure chargeable to General Fund & HRA balances £'000	Adjustments between funding & Accounting basis	Net Expenditure in the CIES £'000
257,653	23,394	281,047	Operations	263,317	22,153
31,852	5,485	37,337	Customer	34,968	6,994
8,086	901	8,987	Commissioning	22,082	7,256
6,246	27,253	33,499	Resources	5,890	14,132
15,533	8,729	24,262	Place	0	0
2,994	310	3,304	Governance	0	0
89,432	1,981	91,413	Integration Joint Board	92,467	1,789
23,898	18,993	42,891	Corporate	26,710	(4,618)
(7,747)	32,453	24,706	Housing Revenue Account	(7,373)	46,992
<b>427,947</b>	<b>119,499</b>	<b>547,446</b>	<b>Net Cost of Services</b>	<b>438,061</b>	<b>94,698</b>
(426,746)	35,865	(390,881)	Other Income and Expenditure	(474,419)	(67,695)
1,201	155,364	156,565	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(36,358)</b>	<b>27,003</b>
(47,362)			Opening General Fund and HRA Balance at 31 March 2020	(48,102)	
1,201			(Surplus)/deficit on General Fund and HRA Balance in Year	(36,358)	
(1,941)			To/From Other Statutory Reserves	(1,858)	
(48,102)			<b>Closing General Fund and HRA Balance at 31 March 2021</b>	<b>(86,318)</b>	

**Note 7. Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2019/20**

	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
<b>Net Cost of Services</b>	<b>116,896</b>	<b>38,659</b>	<b>(36,056)</b>	<b>119,499</b>
Other Income and Expenditure from the Funding Analysis	27,290	9,142	(567)	35,865
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6)</b>	<b>144,186</b>	<b>47,801</b>	<b>(36,623)</b>	<b>155,364</b>

**Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2020/21**

	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Adjustments</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operations	15,136	6,537	480	22,153
Customer	5,497	1,346	151	6,994
Commissioning	6,392	781	83	7,256
Resources	13,526	538	68	14,132
Place	0	0	0	0
Governance	0	0	0	0
Integration Joint Board	651	1,029	109	1,789
Corporate	14	2,447	(7,079)	(4,618)
Housing Revenue Account	81,824	303	(35,135)	46,992
<b>Net Cost of Services</b>	<b>123,040</b>	<b>12,981</b>	<b>(41,323)</b>	<b>94,698</b>
Other Income and Expenditure from the Funding Analysis	(75,140)	7,899	(454)	(67,695)
<b>Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6)</b>	<b>47,900</b>	<b>20,880</b>	<b>(41,777)</b>	<b>27,003</b>

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

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
1,137	Gains on the disposal on non current assets	(1,146)
<b>1,137</b>	<b>Total</b>	<b>(1,146)</b>

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

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
53,367	Interest payable and similar charges	45,440
7,848	Pensions interest cost and expected return on pensions assets	7,024
(2,019)	Interest receivable and similar income	(538)
53,971	Income and Expenditure in relation to investment properties and changes in their fair value	(601)
(3,388)	Other Investment income	(1,790)
<b>109,779</b>	<b>Total</b>	<b>49,535</b>

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

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
(122,817)	Council Tax Income	(123,401)
(262,344)	Non domestic rates	(164,025)
(71,926)	Non ring-fenced government grants	(215,668)
(44,710)	Capital grants and contributions	(86,709)
0	Capital grants and receipts unapplied	(700)
<b>(501,797)</b>	<b>Total</b>	<b>(590,503)</b>

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

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

In 2020/21 the Council received additional grant funding of £96 million from the Scottish Government in relation to the Covid-19 pandemic. £52.767 million of this funding was treated as agency income and expenditure and does not impact upon the figures in the CIES (see Note 19 – Agency Services). The remaining £47.840 million was treated as grant income, and is included in the CIES along with the related expenditure (see Note 37 – Grant Income). Grant income not spent in 2020/21 has been earmarked for spending in future years.

## 12. Balance Sheet – Usable Reserves

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

## 13. Balance Sheet – Unusable Reserves

<b>31 March 2020 £'000</b>		<b>31 March 2021 £'000</b>
(947,601)	Revaluation Reserve	(900,739)
(538,432)	Capital Adjustment Account	(552,705)
	Financial Instruments Adjustment	
14,595	Account	14,163
309,303	Pensions Reserve	118,090
6,129	Accumulated Absences Account	7,423
<b>(1,156,006)</b>	<b>Total</b>	<b>(1,313,768)</b>

### Revaluation Reserve

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

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

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

2019/20			2020/21	
£'000	£'000		£'000	£'000
	(960,318)	<b>Balance at 1 April</b>		(947,601)
(35,673)		Upward revaluation of assets		(139,023)
24,555		Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services		163,272
	(11,118)	Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		24,249
23,764		Difference between fair value depreciation and historical cost depreciation		22,624
71		Accumulated gains on assets sold or scrapped		0
	23,835			22,624
	0	Amounts written off to the Capital Adjustment Account		(11)
	<b>(947,601)</b>	<b>Balance at 31 March</b>		<b>(900,739)</b>

#### Capital Adjustment Account

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

2019/20 £'000		2020/21 £'000
<b>(622,668)</b>	<b>Balance at 1 April</b>	<b>(538,432)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
73,820	Charges for depreciation and impairment on non current assets	84,516
56,222	Revaluation losses on Property, Plant and Equipment	50,218
1,949	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	1,188
131,991		135,922
(23,835)	Adjusting amounts written out of the Revaluation Reserve	(22,613)
108,156	Net written out amount of the cost of non current assets consumed in the year	113,309
	Capital financing applied in the year:	
40	Use of the Capital Receipts Reserve to finance new capital expenditure	47
(44,709)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(86,709)
(5,556)	Loans Fund principal repayments	(8,983)
(31,156)	Capital expenditure charged against the General Fund and HRA balances	(33,656)
(4,627)	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	(3,448)
(86,008)		(132,749)
0	Deferred Capital Receipt	0
60,341	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	5,167
(253)	Written off	0
2,000	Grant Funding	0
<b>(538,432)</b>	<b>Balance at 31 March</b>	<b>0 (552,705)</b>

The Capital Adjustment Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses this account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden to be met. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2015 will be charged to the General Fund over the next 45 years.

2019/20		2020/21
£'000		£'000
<b>15,026</b>	<b>Balance at 1 April</b>	<b>14,595</b>
	Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements	
(33)	Long Term Borrowing – Stepped Loans	(35)
(398)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(397)
(431)	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	(432)
<b>14,595</b>	<b>Balance at 31 March</b>	<b>14,163</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20		2020/21
£'000		£'000
<b>332,108</b>	<b>Balance at 1 April</b>	<b>309,303</b>
(70,606)	Remeasurements of the net defined benefit liability	(212,095)
82,096	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	54,046
(34,295)	Employer's pensions contributions and direct payments to pensioners payable in the year	(33,164)
<b>309,303</b>	<b>Balance at 31 March</b>	<b>118,090</b>

Accumulated Absences Account

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

2019/20		2020/21
£'000		£'000
5,607	<b>Balance at 1 April</b>	6,129
(5,607)	Settlement or cancellation of accrual made at the end of the preceding year	(6,129)
6,129	Amounts accrued at the end of the current year	7,423
522	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	1,294
<b>6,129</b>	<b>Balance at 31 March</b>	<b>7,423</b>

## 14. Cash Flow Statement – Operating Activities

2019/20 £'000		2020/21 £'000
(156,565)	Net surplus or (deficit) on the provision of services ^	9,355
<b>(156,565)</b>		<b>9,355</b>
	<b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>	
73,820	Depreciation	84,517
56,222	Impairment, downward revaluations & non sale derecognitions	50,218
(185)	(Increase)/Decrease in Stock	(54)
(4,770)	(Increase)/Decrease in Debtors	(35,610)
28,616	Increase/(Decrease) in Creditors	17,212
47,801	Movement in Pension Liability	20,882
1,949	Carrying amount of non current assets sold	1,188
(1,269)	Contributions to Other Reserves/Provisions	(8,477)
60,341	Movement in value of investment properties	5,167
<b>262,525</b>		<b>135,043</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>	
(44,710)	Receipt of Capital Grants and Contributions	(86,709)
(811)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(2,334)
15,506	Bond Effective Interest Rate Adjustment	8,990
<b>(30,015)</b>		<b>(80,053)</b>
<b>75,945</b>	<b>Net cash flows from operating activities</b>	<b>64,345</b>

^ includes the following:

2019/20 £'000		2020/21 £'000
2,019	Interest receivable	538
(53,367)	Interest payable	(45,440)

**15. Cash Flow Statement – Investing Activities**

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
(207,375)	Purchase of property, plant and equipment, investment properties and heritage assets	(134,363)
(4,693)	Purchase/(Sale) of short term and long term investments	10,925
1,433	Proceeds from the sale of property, plant and equipment and investment properties	2,895
(622)	Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	(561)
44,709	Capital grants and contributions received	86,709
<b>(166,548)</b>	<b>Net cash flows from investing activities</b>	<b>(34,395)</b>

**16. Cash Flow Statement – Financing Activities**

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
(32)	Other receipts from financing activities	(32)
(4,627)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(3,448)
0	Repayment of amounts borrowed	(23,552)
(15,506)	Bond Effective Interest Rate Adjustment	(8,990)
141,790	New borrowings	24,229
<b>121,625</b>	<b>Net cash flows from financing activities</b>	<b>(11,793)</b>

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

<b>31 March 2020</b> <b>£'000</b>		<b>31 March 2021</b> <b>£'000</b>
38	Cash held by the Authority	34
101,504	Bank current accounts	119,665
<b>101,542</b>	<b>Total cash and cash equivalents</b>	<b>119,699</b>

## 18. Trading Operations

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

Significant Trading Operations		2018/19	2019/20	2020/21	Cumulative (Surplus) /Deficit
	£'000	£'000	£'000	£'000	£'000
<b>Provision and Management of Car Parking Facilities</b>	<b>Turnover</b>	(7,869)	(8,154)	(3,717)	
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: £8.287 million.	<b>Expenditure</b>	4,981	4,077	2,814	
	<b>Interest</b>	(213)	(103)	(103)	
	<b>Net (Surplus)/Deficit</b>	(3,101)	(4,180)	(1,006)	(8,287)
<b>Letting of Industrial, Commercial and Other Properties</b>	<b>Turnover</b>	(11,908)	(14,713)	(13,206)	
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: £46.395 million.	<b>Expenditure</b>	2,752	8,803	7,886	
	<b>Exceptional Items *</b>	2,822	60,341	5,167	
	<b>Interest</b>	(641)	(460)	(448)	
	<b>Net (Surplus)/Deficit</b>	(6,975)	53,971	(601)	46,395
<b>Net (Surplus)/Deficit on Significant Trading Operations</b>		(10,076)	49,791	(1,607)	38,108
<b>Other Trading Operations</b>					Cumulative (Surplus) /Deficit
		2018/19	2019/20	2020/21	
		£'000	£'000	£'000	£'000
<b>Building and Maintenance</b>	<b>Turnover</b>	(30,264)	(30,915)	(30,434)	
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: £1.222 million.	<b>Expenditure</b>	31,479	31,706	29,650	
	<b>Interest</b>	0	0	0	
	<b>Net (Surplus)/Deficit</b>	1,215	791	(784)	1,222

\*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 112.

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.

	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>Net (Surplus)/Deficit on trading operations</b>	<b>(8,576)</b>	<b>50,582</b>	<b>(2,391)</b>
Investment Properties	(6,975)	53,971	(601)
Other Investment Income	(1,886)	(3,389)	(1,790)
<b>Net Surplus credited to Financing and Investment Income and Expenditure (note 9)</b>	<b>(8,861)</b>	<b>50,582</b>	<b>(2,391)</b>

#### 19. Agency Services

- The Council has an agreement with Scottish Water whereby it collects water and waste water charges in conjunction with collection of Council Tax. The income received from this service in 2020/21 was £0.776 m (2019/20, £0.760 m).
- The Council issued Covid-related grants on behalf of the Scottish Government during 20/21 to the value of £52.767m. No covid grants were paid out during 19/20.

#### 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	2019/20 £'000	2020/21 £'000
Fees payable with regard to external audit services undertaken in accordance with the Code of Practice	436	439
Audit of financial statements of subsidiaries (Charitable Trusts) pursuant to legislation	9	9
<b>Total</b>	<b>445</b>	<b>448</b>

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

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2019, the Council's own contributions equate to approximately 2.5%.

In 2020/21, the council paid £17.161 million to the Scottish Government in respect of teachers' pension costs, which represents 23% of teachers' pensionable pay from 1 April 2020 to 31 March 2021. The figure for 2019/20 was £14.248 million representing between 17.2% and 23% 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 10 scheduled bodies and these are:

Aberdeen City Council, Aberdeenshire Council, The Moray Council, Scottish Water, Scottish Police Authority, Scottish Fire and Rescue Service, 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 Chief Officer - Finance, scheme governance, governance compliance and membership statistics. It also contains important information on investments and market valuations.

The report will be made available on the Pension Fund website under [www.nespf.org.uk](http://www.nespf.org.uk) or on request from the Chief Officer, 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 that currently no provision is required for the impact of GMP equalization following the HM Treasury advice that public sector pension schemes already have a method in place to equalize GMP benefits. There may be future costs to Local Government Pension Schemes resulting from the GMP ruling, however, at this time it is still being determined if this is the case.

## **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	
	2019/20	2020/21	2019/20	2020/21
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
Service cost comprising:				
• current service cost	51,001	44,108	0	0
• administration expenses	545	573	0	0
• past service costs	16,508	387	0	0
• loss from settlements / curtailments	6,194	1,954	0	0
Financing and Investment Income and Expenditure				
• net interest expense	7,156	6,402	692	622
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>81,404</b>	<b>53,424</b>	<b>692</b>	<b>622</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
Remeasurement of the net defined benefit liability comprising:				
• return on plan assets (excluding the amount included in the net interest expense)	61,831	(434,383)	0	0
• actuarial gains and losses arising on changes in demographic assumptions	(95,523)	(4,445)	(1,035)	(162)
• actuarial gains and losses arising on changes in financial assumptions	(29,491)	282,204	(681)	2,447
• other	(5,511)	(56,681)	(196)	(1,075)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>12,710</b>	<b>(159,881)</b>	<b>(1,220)</b>	<b>1,832</b>
<b>Movement in Reserves Statement</b>				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(81,404)	(53,424)	(692)	(622)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	30,524	29,420	0	0
• retirement benefits payable to pensioners	2,078	2,090	1,693	1,654

### 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		
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Present value of the defined benefit obligation	(1,660,387)	(1,600,665)	(1,862,450)	(46,084)	(42,181)	(38,956)
Fair value of plan assets	1,357,938	1,318,108	1,771,284	0	0	0
Sub total	(302,449)	(282,557)	(91,166)	(46,084)	(42,181)	(38,956)
Scottish Teachers Superannuation Scheme	(29,659)	(26,746)	(26,924)	0	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>(332,108)</b>	<b>(309,303)</b>	<b>(118,090)</b>	<b>(46,084)</b>	<b>(42,181)</b>	<b>(38,956)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £118.090 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 2022 is £30.6 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2022 are £4.3 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	
	2019/20	2020/21	2019/20	2020/21
<b>Opening fair value of scheme assets</b>	<b>1,357,938</b>	<b>1,318,108</b>	<b>0</b>	<b>0</b>
Interest income	32,471	31,532	0	0
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	(61,831)	434,383	0	0
• Other	(545)	(573)	0	0
Settlements			(3,614)	
Contributions from employer	32,602	31,510	2,383	2,391
Contributions from employees into the scheme	8,285	8,706	0	0
Benefits paid	(50,812)	(48,768)	(2,383)	(2,391)
<b>Closing fair value of scheme assets</b>	<b>1,318,108</b>	<b>1,771,284</b>	<b>0</b>	<b>0</b>
	Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000			
	2019/20	2020/21		
<b>Opening fair value of scheme assets</b>	<b>0</b>	<b>0</b>		
Contributions from employer	1,693	1,654		
Benefits paid	(1,693)	(1,654)		

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 £(458.671) million (2019/20, £29.36m).

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

	Total Liabilities: Local Government Pension Scheme £'000		Includes: Discretionary Benefits £'000	
	2019/20	2020/21	2019/20	2020/21
	(1,660,387)	(1,600,665)	(46,084)	(42,181)
<b>Opening balance at 1 April</b>				
Current service cost	(51,001)	(44,108)	0	0
Interest cost	(39,627)	(37,934)	(1,077)	(985)
Contributions from scheme participants	(8,285)	(8,706)	0	0
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	95,523	4,445	1,907	107
• Actuarial gains/losses arising from changes in financial assumptions	29,491	(282,204)	483	(4,367)
• Other	5,511	56,681	207	6,079
Past service cost	(16,508)	(387)	0	0
Losses/(gains) on settlement/curtailment	(6,194)	1,660	0	0
Benefits paid	50,812	48,768	2,383	2,391
<b>Closing balance at 31 March</b>	<b>(1,600,665)</b>	<b>(1,862,450)</b>	<b>(42,181)</b>	<b>(38,956)</b>

	Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000			
	2019/20	2020/21		
	(29,659)	(26,746)		
<b>Opening balance at 1 April</b>				
Interest cost	(692)	(622)		
Remeasurement (gains) and losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	1,035	162		
• Actuarial gains/losses arising from changes in financial assumptions	681	(2,447)		
• Other	196	1,075		
Benefits paid	1,693	1,654		
<b>Closing balance at 31 March</b>	<b>(26,746)</b>	<b>(26,924)</b>		

*Local Government Pension Scheme assets comprised:*

Cash and cash equivalents	26,191	2.0%	52,253	3.0%
Equity instruments:				
• UK quoted and unquoted	207,675		288,188	
• Global quoted and unquoted	207,270		415,543	
• Global Frontier Fund	0		0	
• Pooled UK & Global	313,883		343,983	
Sub total equity	728,828	55.3%	1,047,714	59.1%
Bonds:				
• Corporate	25,527		16,650	
• Government	86,503		88,919	
Sub total bonds	112,030	8.5%	105,569	6.0%
Property:				
• UK Direct	96,294		100,786	
• Property funds - Global	0		0	
• Property funds - UK	0		0	
Sub total property	96,294	7.3%	100,786	5.7%
Private equity:				
• European	0		0	
• UK	111,243		136,743	
• Global	16,219		57,035	
Sub total private equity	127,462	9.7%	193,778	10.9%
Other investment funds:				
• Infrastructure	28,232		32,769	
• Diversified Growth Funds	88,371		104,506	
• Other Loan Fund	0		0	
• Multi Asset Credit	110,700		133,909	
Sub total other investment funds	227,303	17.2%	271,184	15.3%
<b>Total assets</b>	<b>1,318,108</b>	<b>100.0%</b>	<b>1,771,284</b>	<b>100.0%</b>

### Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimated for the North East Scotland Pension Fund on the latest full valuation of the scheme as at 31 March 2020.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Scottish Teachers Superannuation Scheme	
	2019/20	2020/21	2019/20	2020/21
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.5	21.5	21.5	21.5
Women	24.2	24.2	24.2	24.2
Longevity at 65 for future pensioners:				
Men	23.1	23.1	-	-
Women	26.3	26.3	-	-
Rate of inflation	2.1%	2.7%	2.1%	2.7%
Rate of increase in salaries	3.6%	4.2%	3.6%	4.2%
Rate of increase in pensions	2.2%	2.8%	2.2%	2.8%
Rate for discounting scheme liabilities	2.4%	2.1%	2.4%	2.1%

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.

In 2020/21 the actuarial assumptions took account of emerging changes in the calculation of RPI by HM Treasury and the UK Statistics Authority. This differs from the methodology used in 2019/20 and adjusted price inflation assumptions from 2030 onwards. This change has not had a material impact on the IAS 19 calculations.

### Impact on the Defined Benefit Obligation in the Scheme.

Longevity (increase by 1 year in life expectancy)	57,417
Rate of inflation (increase by 0.1%)	33,183
Rate of increase in salaries (increase by 0.1%)	3,851
Rate for discounting scheme liabilities (increase by 0.1%)	(32,601)

## 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.

No such adjustments have been required.

## 24. Related Parties

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

### Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in the Remuneration Report. The Council nominates elected members to represent the Council on the Boards of many arms length external organisations. Details of all members' interests are disclosed on the Council website at [www.aberdeencity.gov.uk](http://www.aberdeencity.gov.uk)

### Other Public Bodies

The Council is the administering authority for the North East Scotland Pension Fund and it charged the Pension Fund £1.736 million for this service in 2020/21 (2019/20, £1.594 million).

For 2020/21 the Council paid £33.086 million to the Pension Fund representing its employer contributions in respect of current and former employees (2019/20, £34.032 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	2019/20		2020/21		Debtors		Creditors	
	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Grampian Valuation Joint Board	0	1,689	0	1,786	0	0	0	0
Common Good	4,509	205	2,013	66	0	0	(20,702)	(31,433)
Trust Funds	4,032	40	4,288	16	0	0	(3,984)	(4,239)
Aberdeen Sports Village	30	1,729	4	1,296	0	0	0	0
Sport Aberdeen	310	5,562	128	-5,930	1	0	(2,698)	(2,915)
Aberdeen Heat & Power	18	3,305	17	3,378	0	0	0	0
NESTRANS	1,300	719	793	685	719	48	(1,300)	(79)
SDPA	0	30	0	0	0	0	0	0
Scotland Excel	0	147	0	175	0	0	0	0
Bon Accord Care	6	81	17	-113	0	0	(36)	(19)
Bon Accord Support Services	895	31,758	963	-31,403	7,174	8,308	(3,352)	(1,290)
Aberdeen City Integration Joint Board	132,730	95,649	147,647	98,170	24	0	0	(1,013)
<b>Total</b>	<b>143,830</b>	<b>140,914</b>	<b>155,870</b>	<b>68,126</b>	<b>7,918</b>	<b>8,356</b>	<b>(32,072)</b>	<b>(40,988)</b>

The majority of these bodies form part of the Council's group accounts which are set out on pages 155 to 173.

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:

## *Operating Leases*

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

	Land and Buildings		Vehicles	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 * £'000	31 March 2021 £'000
Not later than one year	355	321	122	10
Later than one year and not later than five years	811	622	153	4
Later than five years	4,357	4,288	0	
	5,523	5,231	275	15
* 2019/20 restated to include vehicles previously omitted.				

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

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

	<b>31 March 2020</b> <b>£'000</b>	<b>31 March 2021</b> <b>£'000</b>
Not later than one year	282	173
Later than one year and not later than five years	845	520
	<b>1,127</b>	<b>693</b>

#### Council as Lessor

##### *Operating Leases*

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

	<b>Land and Buildings</b>		<b>Hydrogen Buses</b>	
	<b>31 March 2020</b> <b>£'000</b>	<b>31 March 2021</b> <b>£'000</b>	<b>31 March 2020</b> <b>£'000</b>	<b>31 March 2021</b> <b>£'000</b>
Not later than one year	4,999	4,333	0	72
Later than one year and not later than five years	13,059	12,431	0	276
Later than five years	167,879	165,987	0	0
	<b>185,937</b>	<b>182,751</b>	<b>0</b>	<b>348</b>

#### **26. Investment Properties**

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

	<b>31 March 2020</b> <b>£'000</b>	<b>31 March 2021</b> <b>£'000</b>
Rental and interest income from investment property	(15,173)	(13,654)
Expenses arising from investment property	8,804	7,886
Revaluation (gains)/losses	60,341	5,167
<b>Net (gain)/loss</b>	<b>53,972</b>	<b>(601)</b>

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

During the year, The Event Complex Aberdeen (TECA) opened, the Aloft and Hilton hotels, development land and the energy centre have been classified as an investment properties.

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

	<b>2019/20</b> £'000	<b>2020/21</b> £'000
<b>Balance at start of the year</b>	<b>145,832</b>	<b>195,545</b>
Additions	0	0
Disposals	(1,830)	(1,125)
Net gains/(losses) from fair value adjustments	(60,341)	(3,668)
Transfers:		
• (to)/from Property, Plant and Equipment	127,084	1,216
• (to)/from Assets Held for Sale	(15,200)	0
<b>Balance at end of the year</b>	<b>195,545</b>	<b>191,968</b>

## 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
<b>Cost or valuation</b>							
At 1 April 2019	608	1,669	17	0	195,097	300	197,691
Disposals	0	0	0	0	14	0	14
Revaluations	0	35	0	0	79	0	114
<b>At 31 March 2020</b>	<b>608</b>	<b>1,704</b>	<b>17</b>	<b>0</b>	<b>195,190</b>	<b>300</b>	<b>197,819</b>
<b>Cost or valuation</b>							
At 1 April 2020	608	1,704	17	0	195,190	300	197,819
Additions	0	0	0	0	11	0	11
Revaluations	0	4	0	0	234	0	238
<b>At 31 March 2021</b>	<b>608</b>	<b>1,708</b>	<b>17</b>	<b>0</b>	<b>195,435</b>	<b>300</b>	<b>198,068</b>

#### City Monuments

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

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

All three collections are reported in the Balance Sheet at valuation. The curator of each collection determines the valuation based on current values where possible. Due to their nature there are few sales of such items which makes assessing correct valuations subject to estimation uncertainty. For items within the Maritime collection, most were valued between 2002 and 2013. The numismatics collection includes a Mary Queen of Scots coin dated 1555 which was valued in 1992. The Science, Technology & Industry collection includes a Rawlins of London Carriage dated 1817 which was valued in 2001.

#### Art Collection

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

## Civic Insignia

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

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

#### **City Monuments**

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

#### **Maritime & Social History**

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

#### **Numismatics**

The main strength of this superb collection is in Scottish coins and banknotes, including no fewer than 16 gold coins, ranging in date from the 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 19<sup>th</sup> and 20<sup>th</sup> century Scottish art, early 20<sup>th</sup> century English art and a growing collection of challenging international art of the 21<sup>st</sup> century. Artists' portraits and self-portraits form one important collection area as does the unrivalled holding of work by James McBey. The collection also has particularly significant items in terms of both value and note, including an excellent oil canvas by Francis Bacon "Pope I – Study after Pope Innocent X by Velasquez" which was valued by Sotheby's at £70 million on 24 January 2018.

### **Applied and Decorative Art**

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

### **Civic Insignia**

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

### **Archaeology**

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

### **Library & Information Services**

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

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

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

### **Preservation and Management**

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

## 28. Property, Plant and Equipment

Movements in 2019/20:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PPP Assets included in Property, Plant & Equipment £'000
<b>Cost or Valuation</b>									
<b>At 1 April 2019</b>	<b>997,883</b>	<b>911,118</b>	<b>62,209</b>	<b>350,346</b>	<b>29,773</b>	<b>5,228</b>	<b>361,805</b>	<b>2,718,362</b>	<b>213,016</b>
Additions	50,527	9,635	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
<b>At 31 March 2020</b>	<b>1,018,865</b>	<b>1,177,521</b>	<b>70,599</b>	<b>369,950</b>	<b>30,293</b>	<b>8,807</b>	<b>53,815</b>	<b>2,729,850</b>	<b>192,607</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2019</b>	<b>(86,845)</b>	<b>(44,070)</b>	<b>(38,340)</b>	<b>(110,221)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(279,476)</b>	<b>(12,326)</b>
Depreciation charge	(31,900)	(22,812)	(7,508)	(11,600)	0	0	0	(73,820)	(3,673)
Depreciation written out to the Revaluation Reserve	0	10,061	0	0	0	0	0	10,061	2,497
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	16,698	0	0	0	0	0	16,698	12,911
Derecognition – Disposals	0	0	2,383	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
<b>At 31 March 2020</b>	<b>(118,745)</b>	<b>(39,870)</b>	<b>(43,465)</b>	<b>(121,821)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(323,901)</b>	<b>(591)</b>
<b>Net Book Value</b>									
<b>At 31 March 2020</b>	<b>900,120</b>	<b>1,137,651</b>	<b>27,134</b>	<b>248,129</b>	<b>30,293</b>	<b>8,807</b>	<b>53,815</b>	<b>2,405,949</b>	<b>192,016</b>
<b>At 31 March 2019</b>	<b>911,038</b>	<b>867,048</b>	<b>23,869</b>	<b>240,125</b>	<b>29,773</b>	<b>5,228</b>	<b>361,805</b>	<b>2,438,886</b>	<b>200,690</b>

**Property, Plant and Equipment**

Movements in 2020/21:

	<b>Council Dwellings</b> £'000	<b>Other Land and Buildings</b> £'000	<b>Vehicles, Plant &amp; Equipment</b> £'000	<b>Infrastructure Assets</b> £'000	<b>Community Assets</b> £'000	<b>Surplus Assets</b> £'000	<b>Assets Under Construction</b> £'000	<b>Total Property, Plant &amp; Equipment</b> £'000	<b>PPP Assets included in Property, Plant &amp; Equipment</b> £'000
<b>Cost or Valuation</b>									
<b>At 1 April 2020</b>	<b>1,018,865</b>	<b>1,177,521</b>	<b>70,599</b>	<b>369,950</b>	<b>30,293</b>	<b>8,807</b>	<b>53,815</b>	<b>2,729,850</b>	<b>192,607</b>
Additions	56,526	22,089	9,255	13,819	200	449	38,756	141,094	1,431
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(38,247)	(62)	0	0	0	(4,203)	0	(42,512)	0
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(180,195)	(25)	0	0	0	(2,711)	0	(182,931)	0
Derecognition – Disposals	0	0	(1,796)	0	0	0	0	(1,796)	0
Derecognition – Other	0	0	(11,628)	(1,012)	0	0	0	(12,640)	0
Reclassifications and Transfers	0	(9,064)	0	0	0	7,848	0	(1,216)	0
<b>At 31 March 2021</b>	<b>856,949</b>	<b>1,190,459</b>	<b>66,430</b>	<b>382,757</b>	<b>30,493</b>	<b>10,190</b>	<b>92,571</b>	<b>2,629,849</b>	<b>194,038</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2020</b>	<b>(118,745)</b>	<b>(39,870)</b>	<b>(43,465)</b>	<b>(121,821)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(323,901)</b>	<b>(591)</b>
Depreciation charge	(34,222)	(28,326)	(9,744)	(12,222)	0	0	0	(84,514)	(3,665)
Depreciation written out to the Revaluation Reserve	17,367	658	0	0	0	0	0	18,025	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	132,592	120	0	0	0	0	0	132,712	0
Derecognition – Disposals	0	0	1,733	0	0	0	0	1,733	0
Derecognition – Other	0	0	11,628	1,012	0	0	0	12,640	0
Reclassifications and Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2021</b>	<b>(3,008)</b>	<b>(67,418)</b>	<b>(39,848)</b>	<b>(133,031)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(243,305)</b>	<b>(4,256)</b>
<b>Net Book Value</b>									
<b>At 31 March 2021</b>	<b>853,941</b>	<b>1,123,041</b>	<b>26,582</b>	<b>249,726</b>	<b>30,493</b>	<b>10,190</b>	<b>92,571</b>	<b>2,386,544</b>	<b>189,782</b>
<b>At 31 March 2020</b>	<b>900,120</b>	<b>1,137,651</b>	<b>27,134</b>	<b>248,129</b>	<b>30,293</b>	<b>8,807</b>	<b>53,815</b>	<b>2,405,949</b>	<b>192,016</b>

#### *Valuations*

The Events Complex Aberdeen opened in 2019/20 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 2021 which was performed in November 2020. 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 2021 and can be relied upon.

#### *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 2021, the Council has a number of ongoing and new contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years. The major commitments amounting to £5 million or more are detailed below with equivalent figures provided for 31 March 2021.

<b>Major Capital Contractual Commitments</b>	<b>As at 31 March 2020 £'000</b>	<b>As at 31 March 2021 £'000</b>
Aberdeen Western Peripheral Route (main contract awarded December 2012)	14,443	14,443
TECA (all main contracts awarded 31/03/19)	3,500	8,176
Union Terrace Gardens redevelopment (contract signed July 2019)	19,556	17,149
Energy from Waste (contract signed August 2019)	51,477	42,055
Early Learning & Childcare Expansion (main contractor appointed September 2019)	19,405	7,088
Milltimber Primary (contract awarded 24 July 2020)	0	13,901
New Build Housing – Summerhill	44,945	36,376
New Build Housing – Wellheads	21,572	5,634
New Build Housing – Auchmill	0	10,939
	<b>174,898</b>	<b>155,761</b>

### *Componentisation*

Property, Plant and Equipment with more than one identifiable part to them are considered for componentisation if one of the three trigger events takes place:

- When a new asset is purchased or constructed
- When subsequent expenditure is incurred on asset
- When an asset is revalued

The council separately accounts for significant components with substantially different useful economic lives. A de minimis level of £2.5 million is applied to the overall asset value in this respect.

- Components are deemed to be significant where the cost is more than 10% of the cost of the asset. In practice, the following components are accounted for separately, where material:
  - Land (useful life not applicable);
  - Buildings (useful life up to 75 years);
  - Plant and equipment (useful life up to 20 years); and
  - Other components with substantially different useful economic lives.
- As assets under construction become operational and existing assets are revalued, componentisation will apply.
- Where a component is replaced, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount.

*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 Deborah Wyllie, BSc MRICS and Neil Strachan, BLE MRICS who are Royal Institution of Chartered Surveyors (RICS) Registered Valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS.

The significant assumptions applied in estimating the fair values are:

- Buildings constructed under PPP arrangements have been valued as if they were assets wholly owned by the Council without any deferment.

Council Dwellings are valued using the Beacon Method which involves full inspection of a sample of properties (Beacons). Full inspection of properties other than Beacon properties is not considered necessary due to the similarity of the property types covered by the Beacons.

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
Carried at historical cost	54,406	(78,789)	68,484	191,110	21,359	18,576	16,161	291,307
Valued at fair value as at:								
31 March 2021	856,949	0	0	0	0	10,190	0	867,139
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
<b>Total cost or valuation</b>	<b>929,761</b>	<b>870,315</b>	<b>68,484</b>	<b>191,110</b>	<b>21,359</b>	<b>68,949</b>	<b>16,161</b>	<b>2,166,139</b>

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

## 29. Capital Expenditure and Capital Financing

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

	HRA 2019/20 £'000	General Fund 2019/20 £'000	Total 2019/20 £'000	HRA 2020/21 £'000	General Fund 2020/21 £'000	Total 2020/21 £'000
<b>Opening Capital Financing Requirement</b>	<b>242,854</b>	<b>972,074</b>	<b>1,214,928</b>	<b>261,159</b>	<b>1,077,136</b>	<b>1,338,295</b>
<i>Capital investment</i>						
Property, Plant and Equipment	51,466	155,894	207,360	56,696	84,399	141,095
Heritage Assets	0	14	14	0	11	11
Assets Held for Sale	0	2	2	0	0	0
Aberdeen Harbour Board	0	2,000	2,000	0	0	0
Loan for National Housing Trust Initiative	0	0	0	0	(6,742)	(6,742)
<i>Sources of finance</i>						
Capital receipts	(111)	(341)	(452)	(61)	(302)	(363)
Government grants and other contributions	(1,483)	(43,226)	(44,709)	(43,854)	(42,856)	(86,710)
Sums set aside from revenue:						
• Direct revenue contributions	492	0	492	410	0	410
• Capital for Current Revenue (CFCR)	(30,496)	(660)	(31,156)	(33,390)	(266)	(33,656)
• Loans fund principal	(1,563)	(3,994)	(5,557)	(1,767)	(7,217)	(8,984)
• PPP liability/Finance Lease repayments	0	(4,627)	(4,627)	0	(3,448)	(3,448)
<b>Closing Capital Financing Requirement</b>	<b>261,159</b>	<b>1,077,136</b>	<b>1,338,295</b>	<b>239,193</b>	<b>1,100,715</b>	<b>1,339,908</b>
<i>Explanation of movements in year</i>						
Increase/(Decrease) in underlying need to borrow	18,305	109,688	127,993	(21,966)	27,028	5,062
Assets acquired under PFI/PPP contracts	0	(4,627)	(4,627)	0	(3,448)	(3,448)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>18,305</b>	<b>105,061</b>	<b>123,366</b>	<b>(21,966)</b>	<b>23,580</b>	<b>1,614</b>

### 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 2021 (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	5,725	3,374	6,587	15,687	475	1,263	2,102	3,840
Payable within two to five years	31,303	11,364	24,379	67,046	2,258	5,570	7,750	15,577
Payable within six to ten years	40,817	21,282	27,591	89,690	4,447	7,482	8,072	20,001
Payable within eleven to fifteen years	43,821	30,749	22,343	96,912	5,111	9,495	6,056	20,662
Payable within sixteen to twenty years	26,028	26,190	11,759	63,977	5,584	12,402	3,423	21,409
Payable within twenty one to twenty five years	0	0	0	0	3,214	6,032	478	9,724
Payable within twenty six to thirty years	0	0	0	0	0	0	0	0
<b>Total</b>	<b>147,694</b>	<b>92,959</b>	<b>92,659</b>	<b>333,312</b>	<b>21,089</b>	<b>42,243</b>	<b>27,881</b>	<b>91,214</b>

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

	<b>2019/20</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
<b>Balance outstanding at start of year</b>	<b>142,453</b>	<b>138,223</b>
Additions during year	0	0
Payments during year	(4,230)	(3,020)
<b>Balance outstanding at end of year</b>	<b>138,223</b>	<b>135,203</b>

### 31. Assets Held for Sale

	<b>2019/20</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
<b>Balance outstanding at start of year</b>	<b>5,693</b>	<b>15,200</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	2	0
Investment Properties	15,200	0
Revaluation gains and (losses)	0	(1,500)
Reclassifications and transfers	(5,584)	0
Assets sold	(111)	0
<b>Balance outstanding at end of year</b>	<b>15,200</b>	<b>13,700</b>

## 32. Inventories

	Consumable Stores & Maintenance Materials		Client Services Work In Progress		Property Acquired or Constructed for Sale		Total	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>1,832</b>	<b>2,320</b>	<b>0</b>	<b>(303)</b>	<b>0</b>	<b>0</b>	<b>1,832</b>	<b>2,017</b>
Purchases	13,104	10,142	17,874	24,467	0	0	30,978	34,609
Recognised as an expense in the year	(12,613)	(10,406)	(18,177)	(24,149)	0	0	(30,790)	(34,555)
Written-off balances	(3)	0	0	0	0	0	(3)	0
<b>Balance outstanding at end of year</b>	<b>2,320</b>	<b>2,056</b>	<b>(303)</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>2,017</b>	<b>2,071</b>

## 33. Short Term Debtors

	31 MARCH 2020 £'000	31 MARCH 2021 £'000
Central government bodies	20,482	18,179
Other local authorities	6,083	13,190
NHS bodies	864	8,263
Public corporations and trading funds	65	865
Other entities and individuals	138,354	173,569
<b>Gross Total</b>	<b>165,849</b>	<b>214,066</b>
Deduct: Provision for Impairment	(68,868)	(74,677)
<b>Net Total</b>	<b>96,981</b>	<b>139,389</b>

**34. Short Term Creditors**

	<b>31 MARCH 2020</b> <b>£'000</b>	<b>31 MARCH 2021</b> <b>£'000</b>
Central government bodies	(18,301)	14,739
Other local authorities	(1,258)	(1,240)
NHS bodies	(41)	(1,730)
Public corporations and trading funds	(1,815)	(3,021)
Other entities and individuals	(77,845)	(125,821)
<b>Total</b>	<b>(99,260)</b>	<b>(117,073)</b>

**35. Provisions**

2020/21	Note 1 Compensation Payments - Equal Pay & VS/ER £'000	Note 2 Property - Asset Management £'000	Note 3 Housing Benefit Subsidy £'000	Note 4 Other £'000	TOTAL £'000
<b>Balance at 1 April 2020</b>	<b>(1,096)</b>	(613)	(100)	(1,057)	<b>(2,866)</b>
Additional provisions made in 2020/21	(5)	0	0	(5)	(10)
Amounts used in 2020/21	916	62	0	2	980
Unused amounts reversed in 2020/21	(12)	0	0	808	796
<b>Balance at 31 March 2021</b>	<b>(197)</b>	<b>(551)</b>	<b>(100)</b>	<b>(252)</b>	<b>(1,100)</b>
<i>Represented by:</i>					
<b>Current provisions</b>	<b>(197)</b>	0	(100)	(252)	<b>(549)</b>
<b>Long term provisions</b>	<b>0</b>	<b>(551)</b>	0	0	<b>(551)</b>

## Notes on Provisions

### 1. Compensation Payments - Equal Pay and Severance - £0.197 million

A provision of £3.407 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 - £2.311 million of this provision was used in 2019-20, with the remaining £1.096 million carried forward to 2020-21 in respect of the statutory element of severance costs. A further £0.916m of this provision was used in 2020-21, and the remaining balance of £0.197m was carried forward to 2021-22

### 2. Property-Asset Management - £0.551 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. The full liability could be called upon in 2021/22.

### 4. Other

- Legal Cases - £0.035 million

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

- Holiday Pay - £0.059 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 2021/22.

- IFRS Impairment - £0.158 million

An impairment review undertaken in 2020/21 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 2021, 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 development profit, which is 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 2021 the Council had material contingent liabilities as undernoted. An estimate of the contingent liability has been provided where it is practicable to do so.

#### **Guarantees**

- **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 30 September 2022, as approved at a meeting of full Council on 10 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, as approved at Council on 10 March 2021. This guarantee will remain in force until 30 September 2022.

- **Sport Aberdeen**

The Council agreed to provide a bank guarantee to Sport Aberdeen up to a maximum of £5 million as approved at the 7 June 2016 Finance, Policy and Resources Committee. There is currently a Revolving Credit Facility for £1.4 million in place.

- **Aberdeen Performing Arts**

The Council has agreed to provide a guarantee to Aberdeen Performing Arts up to a maximum of £356,000 until 31 March 2022, as approved at Council on 10 March 2021.

- **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.

### **Contractual**

- **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 online 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.

- **Impact of Covid on Working Practices, Social Distancing and the Capital Programmes**

The emergence of Covid has resulted in new working practice guidelines being issued by the Scottish Government, to set new standards to allow consultants, contractors, sub-contractors and their suppliers to work safely during the pandemic. These unforeseen changes resulted in the construction industry incurring additional costs for compliance with the risk of delays to projects. These measures may also restrict numbers of staff on site which may slow down progress on works. These impacts have manifested in projects which were on site at the time of the initial lockdown, and discussions between the Council and the relevant contractors are on-going to determine liability for additional costs.

- **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 "MCLH", the main contractor, following adjudication in favour of the Council.

Following consideration of the outcome of the second adjudication, the Council raised a new Court of Session action in May 2020. MCLH lodged defences and made a counterclaim against the Council, which the Council has defended. MCLH subsequently dropped their earlier action raised against the Council. The court action will reconsider the previous adjudication decisions. This may give rise to a future financial liability.

- **Scottish Child Abuse Enquiry**

The Scottish Parliament is introducing a redress Bill (April 2021) for survivors of abuse in care in Scotland. The stage 1 debate took place on 17 December 2020 where members considered the general principles of the Bill. Survivors as an alternative to civil litigation may choose to apply for redress. Financial contributions may be requested from Local Authorities to support the redress scheme. Ongoing discussions will take place to assess any proposed level of contribution from the Council and the mechanism by which this is met.

The Council will continue to receive civil claims relating to periods of time in care. These have the potential for significant costs to be incurred and alongside the contribution to the scheme will give rise to future financial liability, although unquantifiable at this time.

- **COVID-19 Impact**

Statute and government guidance restricting the movement of people and effectively locking down the country is now gradually easing for the second time. Whilst the Council has prepared their 2021/22 budget to include all known Covid-19 related costs to the Council to date, there remains the possibility that further costs may arise that were not previously identified as the country moves out of lockdown.

### 37. Grant Income

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

		<b>2019/20</b>	<b>2020/21</b>
		£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>			
Total revenue Funding Grant		334,270	335,226
Total revenue Funding Grant - COVID Consequential Income		-	15,199
Total revenue Funding Grant - COVID General Covid Funding		-	10,165
Total revenue Funding Grant - COVID Discretionary Funding		-	4,698
Total revenue Funding Grant - COVID Education Recovery		-	2,722
Total revenue Funding Grant - COVID Education Teachers/Support Staff		-	2,393
Total revenue Funding Grant - COVID Hardship Funding		-	3,449
Total revenue Funding Grant - COVID Support people impacted by restrictions		-	1,054
Total revenue Funding Grant - COVID Food Fund		-	802
Total revenue Funding Grant - COVID Council Tax Reduction Scheme		-	630
Total revenue Funding Grant - COVID Scottish Welfare Fund Top Up		-	596
Total revenue Funding Grant - COVID Free School Meals		-	590
Total revenue Funding Grant - COVID Children & Young People MH&W		-	576
Total revenue Funding Grant - COVID Business Support Grant		-	464
Total revenue Funding Grant - COVID Education Home Learning Support Fund		-	302
Total revenue Funding Grant - COVID Rapid Rehousing Transition Plan		-	223
Total revenue Funding Grant - COVID Education Digital Inclusion		-	209
Total revenue Funding Grant - COVID PESF Boost		-	152
Total revenue Funding Grant - COVID Test and Protect		-	161
Total revenue Funding Grant - COVID Other		-	82
		<b>334,270</b>	<b>379,693</b>

<b>Credited to Services</b>				
Department of Work and Pensions				
Housing Benefit Grant	48,426	44,461		
Housing Benefit Admin Grant	629	727		
Discretionary Housing Payment	230	* 408		
Other	-	-		
National Health Service				
Integrated care funding	36,062	51,461		
Other	78	3		
Other Local Authorities				
Western Peripheral Route Works	3,954	3,823		
Other	52	-		
Scottish Government				
ELC Expansion	6,685	26,073		
S27 Community Justice Grant	5,190	4,955		
Pupil Equity Fund	4,103	3,327		
Winter Grant Vulnerable Children	-	3,025		
Scotland's Schools for the Future Design, Build, Finance, Maintain Projects (Lochside Academy)	2,731	2,741		
Space for People	-	1,476		
COVID Discretionary Funding	-	1,305		
Attainment Challenge	902	976		
COVID Funding - Additional School Staffing	-	968		
Additional Support For Learning	-	507		
HEEPS - Home Insulation	3,394	420		
Education Maintenance	280	331		
COVID Funding - Food Fund FSM	-	287		
JIVE Project - Hydrogen Buses	-	273		
COVID Funding - Other	-	153		
Chargeplace Scotland	297	80		
Other	828	** 915		
European Funding				
Civitas	594	685		
HECTOR Waste Vehicle	-	616		
Hydrogen Bus Project	813	209		
Other	21	447		
Home Office				
Syrian Refugee Resettlement Programme	128	287		
Other	41	94		
Sport Scotland	397	408		
Creative Scotland	251	180		
Transport Scotland				
Western Peripheral Route Works	109,020	41,896		
Other	60	105		
Other	484	198		
<b>Total</b>	<b>225,650</b>	<b>193,819</b>		
				<b>573,512</b>

\* 2019/20 'Department of Work and Pensions Other' has been restated as Discretionary Housing Payment identified separately in 2020/21.

\*\* 2019/20 'Scottish Government Other' has been updated to include Opportunities for All Grant

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:

	2019/20 £000	2020/21 £000
<b>Revenue Grants - Receipts in Advance</b>		
ACHSOP Health Improvement Fund	3	0
Amped Funding	10	11
Carnegie Uk Trust - Kindness in Libraries	0	3
CISS Confucius Classroom Grant	7	0
Costal Communities	26	30
Creative Scotland - VACMA	11	1
Creative Scotland - Youth Arts Small Grants	0	45
Creative Scotland - Youth Music Initiative	0	35
Education Scotland - Creative Learning Network/Curriculum	0	6
Food Standard Scotland Grant	150	134
Geronimo	0	11
HECTOR	0	103
Home Office Refugees	489	895
Hydrogen Vehicles OLEV	0	18
NESCOL - ESOL	0	5
NHS Tobacco Campaign	3	3
No One Left Behind	0	238
Parental Employability	0	176
Pavement Parking Enforcement	0	67
Pedelecs H2 Bikes	0	131
Scottish Government - Library Improvement Fund	7	10
Smart Hy-Aware	0	8
Social Care & Wellbeing (Telecare, Kinship Care, Luggage)	6	6
Stem Healthy Minds	0	2
Young Persons Guarantee	0	957
Youthlink - Education in Recovery	0	14
<b>Total</b>	<b>712</b>	<b>2,909</b>
<b>Capital Grant - Receipts in Advance</b>		
AWPR De-trunking	3657	8071
Data Cluster	0	18
EIC Capital Payment	16187	6364
Fuel Cell Cargo Project	81	0
Gypsy Traveller Grant	103	103
ICT Capital Investment Fund	19	0
Scottish Government Flood Grant	382	378
Scottish Government JIVE	3388	5227
Scottish Government No One Left Behind	33	0
Town Centre Fund	1254	886
<b>Total</b>	<b>25,104</b>	<b>21,047</b>

### 38. Financial Instruments

#### -Categories of Financial Instruments

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

<b>Financial Instruments Balances</b>	<b>Long term</b>		<b>Current</b>	
	<b>31 March 2020</b> <b>£'000</b>	<b>31 March 2021</b> <b>£'000</b>	<b>31 March 2020</b> <b>£'000</b>	<b>31 March 2021</b> <b>£'000</b>
<b>Investments</b>				
Loans and receivables	0	0	50,454	40,277
Interest in group entities	17,090	16,343	0	0
<b>Total investments</b>	<b>17,090</b>	<b>16,343</b>	<b>50,454</b>	<b>40,277</b>
<b>Debtors</b>				
Loans and receivables	7,539	742	0	0
Financial assets carried at contract amount	0	0	96,981	139,389
<b>Total debtors</b>	<b>7,539</b>	<b>742</b>	<b>96,981</b>	<b>139,389</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(1,026,809)	(1,003,256)	(208,162)	(232,391)
<b>Total borrowings</b>	<b>(1,026,809)</b>	<b>(1,003,256)</b>	<b>(208,162)</b>	<b>(232,391)</b>
<b>Other Long term Liabilities</b>				
PPP liabilities	(135,202)	(130,565)	(3,020)	(4,638)
<b>Total other long term liabilities</b>	<b>(135,202)</b>	<b>(130,565)</b>	<b>(3,020)</b>	<b>(4,638)</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	(99,260)	(117,073)
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>(99,260)</b>	<b>(117,073)</b>

Note: The Council undertook a £370 million Bond Issuance in 2016, receiving a premium of £44 million. This is reflected in the table above within "Borrowings, Financial Liabilities at Amortised Cost". Lenders Option/Borrowers Option (LOBO's) of £28.9m have been included in long term borrowing but have a call date in the next 12 months

**Income, Expense, Gains and Losses**

Financial Instruments Gains/(Losses)	2019/20			2020/21		
	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	(54,738)	0	(54,738)	(45,440)	0	(45,440)
<b>Total expense in Surplus or (Deficit) on the Provision of Services</b>	<b>(54,738)</b>	<b>0</b>	<b>(54,738)</b>	<b>(45,440)</b>	<b>0</b>	<b>(45,440)</b>
Interest income	0	3,513	3,513	0	538	538
<b>Total income in Surplus or (Deficit) on the Provision of Services</b>	<b>0</b>	<b>3,513</b>	<b>3,513</b>	<b>0</b>	<b>538</b>	<b>538</b>
<b>Net Interest</b>	<b>(54,738)</b>	<b>3,513</b>	<b>(51,225)</b>	<b>(45,440)</b>	<b>538</b>	<b>(44,902)</b>

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

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

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

Financial Instrument	2019/20				2020/21			
	Classification		Treatment		Classification		Treatment	
	Amortised Cost	Fair Value through Profit and Loss	Total Impairment Allowance	Adjustment through Profit and Loss	Amortised Cost	Fair Value through Profit and Loss	Total Impairment Allowance	Adjustment through Profit and Loss
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Loans and Receivables</b>	135,867		153		127,962		158	
<b>Interest in Group Entity</b>		16,932		706		16,343		747

## 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 2021 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.

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 2021) 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 Liabilities	31 March 2020					31 March 2021				
	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	(485,434)	(6,716)	(492,150)	(1,007,090)	(640,930)	(480,434)	(6,891)	(487,325)	(850,779)	(688,306)
LOBOs	(93,893)	(708)	(94,601)	(226,652)	(140,990)	(93,893)	(691)	(94,584)	(191,765)	(143,116)
Bond Issuance	(363,140)	(1,457)	(364,597)	(429,981)	(447,847)	(352,633)	(1,200)	(353,833)	(433,679)	(415,145)
Bond EIR	(47,342)	0	(47,342)	(47,342)	(47,342)	(56,473)	0	(56,473)	(56,473)	(56,473)
Bond Premium	(39,383)	0	(39,383)	(39,383)	(39,383)	(37,757)	0	(37,757)	(37,757)	(37,757)
Transfer Interest to Short Term in line with Code requirements	0	8,881	8,881	0	0	0	8,782	8,782	0	0
Transfer borrowing repayable with 12 months to Short Term in line with Code requirements			5,000	0	0			20,515	0	0
Financial Instrument Adjustments			(2,618)	0	0			(2,581)	0	0
<b>Total Long Term Borrowing</b>	<b>(1,029,191)</b>	<b>0</b>	<b>(1,026,810)</b>	<b>(1,750,448)</b>	<b>(1,316,492)</b>	<b>(1,021,190)</b>	<b>(0)</b>	<b>(1,003,256)</b>	<b>(1,570,453)</b>	<b>(1,340,797)</b>
Short term borrowing	(195,455)	(318)	(195,773)	(195,773)	(195,773)	(204,218)	(42)	(204,260)	(204,260)	(204,260)
Transfer Interest from Long Term in line with Code requirements	0	(7,389)	(7,389)	0	0	0	(7,616)	(7,616)	0	0
Transfer borrowing repayable with 12 months from Long Term in line with Code requirements			(5,000)	0	0			(20,515)	0	0
<b>Total Short Term Borrowing</b>	<b>(195,455)</b>	<b>(7,707)</b>	<b>(208,162)</b>	<b>(195,773)</b>	<b>(195,773)</b>	<b>(204,218)</b>	<b>(7,658)</b>	<b>(232,391)</b>	<b>(204,260)</b>	<b>(204,260)</b>

Fair Value of Assets	31 March 2020				31 March 2021			
	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	128,326	432	128,758	128,758	127,220	275	127,495	127,495

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 £30 million to be invested with a financial institution located within the highest category for a maximum duration of 12 months.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £127.2m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

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

<b>Credit Risk A</b>		Amount at 31 March 2021 £'000	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2021	Estimated maximum exposure to default and uncollectability at 31 March 2021 £'000
0	Deposits with banks and building societies	127,495	0	0	0
4,881	Customers	47,570	4.46%	4.46%	2,122
<b>4,881</b>					<b>2,122</b>

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

<b>Credit Risk B</b>	<b>31 March 2020</b>	<b>31 March 2021</b>
	£'000	£'000
Less than three months	19,489	16,092
Three to six months	1,412	3,132
Six months to one year	6,385	3,259
More than one year	19,515	25,087
	<b>46,801</b>	<b>47,570</b>

#### **Liquidity risk**

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

The maturity analysis of financial liabilities is as follows:

	<b>31 March 2020</b> £'000	<b>31 March 2021</b> £'000
Less than one year	221,198	236,172
Between one and two years	20,515	11,527
Between two and five years	32,613	31,646
Between five and ten years	62,921	62,980
More than ten years	810,909	800,290
	<b>1,148,156</b>	<b>1,142,615</b>

In the "More than 10 years" category in the table above there are £28.9 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.

£352.6 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 2021, 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	289
Increase in interest receivable on variable rate investments	(892)
Impact on Surplus or Deficit on the Provision of Services	<b>(603)</b>
Share of overall impact debited to the HRA	<b>(120)</b>
Decrease in fair value of fixed rate borrowings liabilities due to a 1% rise in discount rates (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<b>209,307</b>
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	0

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

#### Foreign exchange risk

The Council operates a Bank Account denominated in Euros but has no exposure to loss arising from movements in exchange rates.

## **Loans Fund**

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

Each year the service's accounts repay a proportion of the sums previously borrowed, based on the life of the asset, along with a share of the interest paid on loans and expenses of managing the Loans Fund. All interest and management expenses are initially paid by the Loans Fund and then recharged to service accounts at an average rate which is sufficient to recover each year's expenditure in full. For 2020/21, the average interest rates were 2.84% for capital (2019/20, 3.56%), 0.09% for revenue advances (2019/20, 0.62%) and 0.02% for expenses (2019/20, 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	2020/21 £'000
General Fund	408,526	402,839	397,654	396,557	397,314	413,355	538,587	667,392	804,437	912,588	939,559
Trading Operations	23,257	22,678	24,282	23,083	21,283	20,486	19,207	15,107	13,083	14,621	14,678
Housing Revenue Account	185,923	193,225	196,880	196,665	196,675	193,692	189,118	187,479	202,165	220,468	198,172
<b>Total</b>	<b>617,706</b>	<b>618,742</b>	<b>618,816</b>	<b>616,305</b>	<b>615,272</b>	<b>627,533</b>	<b>746,912</b>	<b>869,978</b>	<b>1,019,685</b>	<b>1,147,677</b>	<b>1,152,409</b>

<b>Loans Fund</b>			<b>Loans Fund</b>		
<b>Revenue Account</b>			<b>Balance Sheet as at 31 March</b>		
<b>2019/20 £'000</b>		<b>2020/21 £'000</b>	<b>2020 £'000</b>		<b>2021 £'000</b>
<b>Expenditure</b>			<b>Assets</b>		
39,657	Interest paid to External Bodies	32,708	Advances to:		
629	Interest paid to Other Council Accounts	112	Aberdeen City Council for Capital Expenditure	1,152,409	
242	General Expenses	261	Other Bodies	2	
<b>40,528</b>		<b>33,081</b>	Rescheduled Premiums	12,025	
	<b>Income</b>				<b>1,164,436</b>
	Interest & Expenses charged to Aberdeen City Council		<b>Current Assets</b>		
(31,100)	General Fund	(26,439)	Temporary Investments	127,170	
(7,467)	Housing Revenue Account	(5,878)	Sundry Debtors	283	
(466)	Trading Operations	(410)	Bank	3,925	
(1,495)	From Temporary Investments	(354)		1,295,814	
<b>(40,528)</b>		<b>(33,081)</b>	<b>Less: Current Liabilities</b>		
			Temporary Advances from Council Services	99,031	
			Sundry Creditors	7,616	
				106,647	
			<b>Net Assets</b>	<b>1,189,167</b>	
			<b>Financed by:</b>		
			Public Works Loan Board	(480,434)	
			Market Loans	(93,893)	
			Negotiable Bonds	(363,140)	
			Bond Premium	(39,383)	
			Bond EIR	(47,342)	
			Stock Issue & Gas Annuities	(2)	
			Temporary Loans	(169,330)	
				<b>(1,198,524)</b>	<b>(1,189,167)</b>

**Housing Revenue Account**

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

**Housing Revenue Account Income and Expenditure Statement**

<b>2019/20</b>		<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income</b>		
(86,785)	Dwelling Rents	(90,629)
(2,200)	Non dwelling Rents	(2,034)
(2,127)	Other Income	(2,210)
<b>(91,112)</b>		<b>(94,873)</b>
<b>Expenditure</b>		
807	Staff Costs	656
<b>807</b>		<b>656</b>
Premises Costs:		
26,106	Repairs and Maintenance	27,159
3,207	Maintenance of amenity areas	3,362
3,372	Bad debts written off/provisions	2,387
2,240	Loss of rent vacant periods	3,017
1,805	Other costs	1,964
<b>36,730</b>		<b>37,889</b>
Administration Costs:		
8,703	Management and Administration	8,755
690	Other costs	555
<b>9,393</b>		<b>9,310</b>
Supplies and Services:		
3,609	Communal Lighting and Heating, etc.	3,608
180	Information Technology	188
131	Other Costs	263
<b>3,920</b>		<b>4,059</b>

	<b>Agencies:</b>		
156	Contributions	167	
0	Supporting People Contribution	0	
572	Tenant's Participation/Helplines	453	
<b>728</b>			<b>620</b>
	<b>Capital Charges:</b>		
31,900	Depreciation	34,222	
32,147	Impairment of Non Current Assets	47,602	
<b>64,047</b>			<b>81,824</b>
<b>115,625</b>	<b>Gross Expenditure</b>		<b>134,363</b>
	<b>Net Cost of HRA Services per Council's Comprehensive Income and Expenditure Statement</b>		
24,513		39,490	
163	Corporate and Democratic Core	134	
<b>24,676</b>	<b>Net Cost of HRA Services</b>		<b>39,619</b>
492	(Gain) / Loss on Sale of HRA Non Current Assets	349	
7,468	Interest payable and similar charges	5,878	
(223)	Interest and investment income	(13)	
222	Pensions interest and return on assets	185	
(1,483)	Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax)	(43,853)	
<b>31,152</b>	<b>(Surplus)/deficit for the year on HRA Services</b>		<b>2,165</b>

**Movement on the Housing Revenue Account Statement**

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
0	Transfer to/(from) the General Fund	0
<b>0</b>	<b>Total</b>	<b>0</b>

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

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
(492)	Gain or (loss) on sale of HRA non-current assets	(349)
30,496	Capital expenditure funded by the HRA	33,390
0	Transfer to/from the Capital Adjustment Account:	0
(64,047)	Depreciation and Impairment	(81,824)
1,483	Capital Grants and Contributions	43,853
1,563	Repayment of Debt	1,767
(656)	HRA share of contributions to or from the Pensions Reserve	(488)
1	Adjustment involving the Accumulated Absences Account	(22)
0	Other Adjustments	1
<b>(31,652)</b>		<b>(3,672)</b>

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

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
(12,296)	Balance on the HRA at start of Year	(12,796)
31,152	(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement	2,165
(31,652)	Adjustments between Accounting Basis and Funding Basis Under Statute	1 (3,672)
(500)	Net (Increase) or Decrease Before Transfers to or (from) Reserves	(1,507)
0	Transfers to or (from) Reserves	2 0
(500)	(Increase) or Decrease in Year on the HRA	(1,507)
<b>(12,796)</b>	<b>Balance on the HRA at end of Year</b>	<b>(14,303)</b>

### **3. Housing Stock**

The Council's housing stock at 31 March 2021 was 22,554 (22,404 at 31 March 2020) in the following categories:

<b>2019/20 Number</b>	<b>Type of Property</b>	<b>2020/21 Number</b>
1,997	Sheltered Property	1,989
4,205	Cottage	4,192
8,876	Flat	8,997
2,099	Four in Block	2,120
565	Maisonette	567
2,196	Multi Storey Flat	2,209
125	Split Level Flat	126
431	Multi Storey Maisonette	434
1,441	Amenity	1,470
403	Homeless	415
<b>22,338</b>	<b>Sub Total</b>	<b>22,519</b>
66	Properties off the charge	35
<b>22,404</b>	<b>HRA Total</b>	<b>22,554</b>
	<b>Other Assets</b>	
1	Hostel	1
241	Garages Sites	239
2,029	Lock Up Garages	2,018
911	Parking Spaces	904
17	Travelling Peoples Sites	17
<b>3,199</b>		<b>3,179</b>

**4. Rent Arrears**

<b>2019/20</b> <b>£'000</b>		<b>2020/21</b> <b>£'000</b>
6,426	Current Tenant Arrears	9,329
2,337	Former Tenant Arrears	2,823
<b>8,763</b>	<b>Total Rent Arrears</b>	<b>12,152</b>

**5. Impairment of Debtors**

In 2020/21 an impairment of £11,176,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £3,321,000 from the provision in 2019/20

**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 2020/21, which is set annually by the Scottish Ministers, is 49.8 pence. Properties with rateable value of above £95,000 Higher property rate of 2.6p on top of the poundage. Properties with rateable value of between £51000 and £95000 will now be charged an additional 1.3p on the rates on top of the poundage. In 2019/20, the NDR poundage rate was set at 49 pence and the supplement was 2.6 pence. The table below details the actual levels of NNDR billed by Aberdeen City Council, and the amount that the Council is entitled to receive under the National Pooling arrangement.

<b>2019/20</b>			<b>2020/21</b>
<b>£'000</b>			<b>£'000</b>
<b>(302,774)</b>	<b>Gross Rates Levied and Contributions in Lieu</b>		<b>(305,360)</b>
	<i>Deduct:</i>		
48,356	Reliefs, remissions, etc.	0	120,707
7,184	Payment of Interest	0	14,163
<b>(247,234)</b>	<b>Net Non Domestic Rate Income</b>		<b>(170,490)</b>
4,391	Adjustment to previous years' National Non Domestic Rates	11,084	
<b>(242,843)</b>	<b>Contribution to Non Domestic Rate Pool</b>		<b>(159,406)</b>
<b>(258,560)</b>	<b>Distribution from Non Domestic Rate Pool</b>		<b>(164,415)</b>
	<i>Add:</i>		
(3,904)	Prior Year BRIS income	0	
(267)	Adjustment for Statutory Additions and others	0	
(4,171)		0	
	<i>Less:</i>		
387	Charity Relief adjustment	390	
<b>(262,344)</b>	<b>Income credited to the Comprehensive Income and Expenditure Statement *</b>		<b>(164,025)</b>

\* The figure for 2020/21 assumes that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) target in 2020/21.

<b>Category</b>	<b>Number of Subjects</b>	<b>Rateable Value at 1 April 2021 £'000</b>
Shops	2,191	103,978
Public Houses	159	8,179
Offices Including Banks	2,845	198,693
Hotels etc.	348	24,381
Industrial Factories, Warehouses, Stores	1,964	146,729
Leisure Entertainment, Caravans, Hol.Sites	210	15,010
Garages and Petrol Stations	210	5,241
Cultural	12	913
Sporting Subjects	83	482
Education & Training	161	35,115
Public Service Subjects	195	20,119
Communications (non Formula)	31	3,237
Quarries, Mines etc	9	128
Petrochemical	2	792
Religious	134	2,708
Health Medical	127	16,150
Other	875	11,717
Care Facilities	116	5,930
Advertising	133	515
Undertaking	13	2,036
<b>Total Non Domestic Rates Subjects</b>	<b>9,818</b>	<b>602,053</b>

## Council Tax

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

In 2020/21, for Band D properties, the Council's Council Tax was set at £1,377.30. The full range of bandings is set out after the Council Tax Income Account.

### Council Tax Income Account

<b>2019/20</b>		<b>2020/21</b>
	<b>£'000</b>	
(162,474)	Gross Assessments	(171,404)
(1,149)	Net band adjustments	(911)
<b>(163,623)</b>	<b>Council Tax Collectable</b>	<b>(172,315)</b>
	<i>Deduct:</i>	
13,479	Exemptions	14,379
95	Disabled Relief	94
15,036	Discounts	16,046
4,722	Provision for non collection	6,186
9,950	Council Tax Reduction	11,821
59	Other	12
<b>(120,282)</b>		<b>(123,778)</b>
	<i>Add:</i>	
(1,139)	Statutory Additions	(1,072)
(1,420)	Prior Year Adjustments	1,425
24	Write Ons	24
<b>(122,817)</b>	<b>Net Council Tax income for the year transferred to General Fund</b>	<b>(123,401)</b>

The calculation of the Council Tax Base 2020/21:

	<b>Number of Dwellings</b>	<b>Number of Exemptions</b>	<b>Disabled Relief</b>	<b>Discounts 25%</b>	<b>Discounts 50%</b>	<b>Total Dwellings</b>	<b>Ratio to Band D</b>	<b>Band D Equivalents</b>
Band A (subject to disabled relief)			2			2	200/360	2
Band A	24,293	(4,567)	24	(3,177)	(871)	15,702	240/360	10,506
Band B	28,180	(2,396)	(57)	(3,489)	(1,207)	21,031	280/360	16,976
Band C	19,554	(1,451)	(1)	(1,870)	(753)	15,479	320/360	13,952
Band D	16,514	(1,994)	7	(1,534)	(935)	12,058	360/360	12,531
Band E	15,005	(638)	(5)	(1,194)	(504)	12,664	473/360	16,934
Band F	8,908	(212)	0	(553)	(215)	7,928	585/360	12,969
Band G	7,846	(137)	(30)	(351)	(189)	7,139	705/360	14,062
Band H	1,081	(18)	(2)	(32)	(45)	984	882/360	2,421
							<b>Total</b>	<b>100,353</b>
							<b>Band D Equivalent Council Tax Reduction</b>	<b>(11,821)</b>
							<b>Contributions in Lieu</b>	<b>12</b>
							<b>Provision for Bad Debts (2.4%)</b>	<b>(2,509)</b>
							<b>Council Tax Base</b>	<b>86,035</b>

All dwellings fall within a valuation band between A to H which is determined by Grampian Valuation Joint Board. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to Aberdeen City Council, the band D charge for 2020/21 was £1,377.30 (2019/20, £1,324.33)

<b>Property Value (£)</b>	<b>Band</b>	<b>Proportion of Band D</b>	<b>Council Tax Level (£)</b>
27,000 or under	A	240/360	918.2
27,001 – 35,000	B	280/360	1071.23
35,001 – 45,000	C	320/360	1,224.27
45,001 – 58,000	D	360/360	1,377.30
58,001 – 80,000	E	473/360	1,809.62
80,001 – 106,000	F	585/360	2,238.11
106,001 – 212,000	G	705/360	2,697.21
Over 212,000	H	882/360	3,374.39

**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**

	<b>Common Good Fund</b> <b>£'000</b>	<b>Reserves Fund</b> <b>£'000</b>	<b>Total Common Good</b> <b>£'000</b>
<b>Balance at 31 March 2019</b>	<b>(120,479)</b>	<b>(68)</b>	<b>(120,547)</b>
<b>Movement in Reserves during 2019/20</b>			
(Surplus) or Deficit on provision of services	2,208	0	2,208
(Surplus) or Deficit on revaluation of investment property	(5,810)	0	(5,810)
<b>Total Comprehensive Expenditure and Income</b>	<b>(3,602)</b>	<b>0</b>	<b>(3,602)</b>
<b>Balance at 31 March 2020</b>	<b>(124,081)</b>	<b>(68)</b>	<b>(124,149)</b>
<b>Movement in Reserves during 2020/21</b>			
(Surplus) or Deficit on provision of services	263	0	263
(Surplus) or Deficit on revaluation of investment property	(3,231)	0	(3,231)
<b>Total Comprehensive Expenditure and Income</b>	<b>(2,968)</b>	<b>0</b>	<b>(2,968)</b>
<b>Balance at 31 March 2021</b>	<b>(127,049)</b>	<b>(68)</b>	<b>(127,117)</b>

## Comprehensive Income and Expenditure Statement

	<b>2019/20</b> <b>Net (Income) Expenditure</b> <b>£'000</b>	<b>2020/21</b>		
		<b>Gross Expenditure</b> <b>£'000</b>	<b>Gross Income</b> <b>£'000</b>	<b>Net (Income) Expenditure</b> <b>£'000</b>
747	Grants & Contributions to External Organisations	758		758
94	External Organisations Rents	112		112
615	Promoting Aberdeen	270		270
162	Grants/Services Provided by Aberdeen City Council	98		98
657	Civic Service Funding	607		607
65	Duthie Park HLF	54		54
3,130	Specific Projects	998	(10)	988
22	Earmarked Reserves	40		40
<b>5,492</b>	<b>Cost Of Services</b>	<b>2,937</b>	<b>(10)</b>	<b>2,927</b>
0	Other Operating Expenditure			0
(3,284)	Financing and Investment Income and Expenditure			(2,664)
<b>2,208</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>263</b>
(5,810)	(Surplus) or Deficit on revaluation of investment property			(3,231)
<b>(3,602)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(2,968)</b>

**Balance Sheet**

<b>31 March 2020</b>		<b>31 March 2021</b>
	£'000	£'000
93,850	Investment Property	92,696
<b>93,850</b>	<b>Long Term Assets</b>	<b>92,696</b>
29,706	Investments in Aberdeen City Council Loans Fund	33,775
0	Investment Property Held for Sale	0
1,079	Short Term Debtors	961
<b>30,785</b>	<b>Current Assets</b>	<b>34,736</b>
(486)	Short Term Creditors	(315)
<b>(486)</b>	<b>Current Liabilities</b>	<b>(315)</b>
<b>124,149</b>	<b>Net Assets</b>	<b>127,117</b>
(124,081)	Common Good Fund	(127,049)
(68)	Reserve Fund	(68)
<b>(124,149)</b>	<b>Total Reserves</b>	<b>(127,117)</b>

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 Chief Officer - Finance  
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The property portfolio was valued internally by Deborah 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**

<b>Charity</b>	<b>Balance as at 31 March 2020 £'000</b>	<b>Transfer between Funds £'000</b>	<b>Revaluation of Investments £'000</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>	<b>Balance as at 31 March 2021 £'000</b>
EEIF	(147)	0	(16)	(131)	3	(291)
Guildry	(2,631)	0	6	(5)	18	(2,612)
Bridge of Don	(1,220)	0	4	0	3	(1,213)
Alexander MacDonald Bequest	(31)	0	0	0	1	(30)
Aberdeen Art Gallery Trust	(26)	0	0	0	4	(22)
Lands of Skene	(1,130)	0	4	(32)	32	(1,126)
Lands of Torry	(1,274)	0	(126)	(167)	166	(1,401)
McBey Trust	(495)	0	0	(2)	6	(491)
<b>Total - Charitable Trusts</b>	<b>(6,954)</b>	<b>0</b>	<b>(128)</b>	<b>(337)</b>	<b>233</b>	<b>(7,186)</b>
<b>Non Charity</b>	<b>Balance as at 31 March 2020 £'000</b>	<b>Transfer between Funds</b>	<b>Revaluation of Investments</b>	<b>Income</b>	<b>Expenditure</b>	<b>Balance as at 31 March 2021 £'000</b>
Educational Trusts	(1,243)	0	(122)	(83)	81	(1,367)
Endowment Funds						
- Educational	(737)	0	(80)	(11)	1	(827)
- Social Work	(314)	0	(34)	(4)	6	(346)
Arts & Heritage	(74)	0	0	0	1	(73)
Graveyards	(17)	0	0	(0)	2	(15)
Monuments	(7)	0	0	(0)	0	(7)
John Rickart	(53)	0	0	(0)	1	(52)
McBey Trust	(71)	0	0	(0)	1	(70)
Glover House Ltd	0	0	0	0	0	0
Aberdeen Japan Trust	(493)	0	0	0	8	(485)
<b>Total - Non Charitable Trusts</b>	<b>(3,009)</b>	<b>0</b>	<b>(236)</b>	<b>(98)</b>	<b>101</b>	<b>(3,242)</b>
<b>Total</b>	<b>(9,964)</b>	<b>0</b>	<b>(364)</b>	<b>(436)</b>	<b>334</b>	<b>(10,429)</b>

## **Investment of Funds**

Jonathan Belford, CPFA  
Chief Officer - Finance  
30 June 2021

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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
<b>Balance at 31 March 2019</b>	<b>(58,669)</b>	<b>(1,230,244)</b>	<b>(1,288,913)</b>	<b>(114,899)</b>	<b>(1,403,812)</b>
<b>Movement in Reserves during 2019/20</b>	<b>156,565</b>	<b>(83,619)</b>	<b>72,946</b>	<b>2,046</b>	<b>74,992</b>
Adjustments between accounting basis & funding basis under regulations	(156,215)	156,215	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>350</b>	<b>72,596</b>	<b>72,946</b>	<b>2,046</b>	<b>74,992</b>
Transfers to/from Earmarked Reserves & Statutory Reserves	(1,642)	1,642	0	0	0
<b>Increase/Decrease in Year</b>	<b>(1,292)</b>	<b>74,238</b>	<b>72,946</b>	<b>2,046</b>	<b>74,992</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>(59,961)</b>	<b>(1,156,006)</b>	<b>(1,215,967)</b>	<b>(112,853)</b>	<b>(1,328,820)</b>
<b>Movement in Reserves during 2020/21</b>	<b>(9,355)</b>	<b>(187,846)</b>	<b>(197,201)</b>	<b>(26,724)</b>	<b>(223,925)</b>
Adjustments between accounting basis & funding basis under regulations	(30,084)	30,084	0	0	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves &amp; Statutory Reserves</b>	<b>(39,439)</b>	<b>(157,762)</b>	<b>(197,201)</b>	<b>(26,724)</b>	<b>(223,925)</b>
Transfers to/from Earmarked Reserves & Statutory Reserves	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>(39,439)</b>	<b>(157,762)</b>	<b>(197,201)</b>	<b>(26,724)</b>	<b>(223,925)</b>
<b>Balance at 31 March 2021</b>	<b>(99,401)</b>	<b>(1,313,766)</b>	<b>(1,413,168)</b>	<b>(139,579)</b>	<b>(1,552,745)</b>

**Group Comprehensive Income and Expenses Statement**

2019/20			2020/21		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
<b>Continued Operation</b>					
343,864	(58,000)	285,864	Operations	339,371	(51,834)
101,096	(63,805)	37,291	Customer	102,922	(60,432)
13,805	(5,004)	8,800	Commissioning	42,167	(12,591)
217,282	(182,211)	35,071	Resources	126,345	(106,810)
34,737	(9,547)	25,190	Place	0	0
5,613	(2,309)	3,304	Governance	0	0
236,584	(145,171)	91,412	Integration Joint Board	258,192	(163,936)
43,706	(821)	42,885	Corporate	24,853	(2,765)
125,166	(100,460)	24,707	Housing Revenue Account	142,707	(103,089)
<b>1,121,853</b>	<b>(567,328)</b>	<b>554,525</b>	<b>Cost of Services</b>	<b>1,036,557</b>	<b>(501,457)</b>
1,137	0	1,137	Other Operating Expenditure	0	(1,146)
61,531	48,547	110,078	Financing and Investment Income and Expenditure	97,419	(47,548)
0	(501,797)	(501,797)	Taxation and Non Specific Grant Income	0	(590,503)
<b>1,184,521</b>	<b>(1,020,578)</b>	<b>163,943</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,133,976</b>	<b>(1,140,654)</b>
		2,250	Share of (surplus) or deficit on the provision of services of Associates and JV		(7,043)
		<b>166,193</b>	<b>Group (Surplus)/Deficit</b>		<b>(13,722)</b>
		(10,644)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets		24,007
		(5,810)	(Surplus)/deficit on revaluation of available for sale financial assets		(3,231)
		(71,763)	Actuarial (gains)/losses on pension assets/liabilities		(230,207)
		(1,089)	Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures		(772)
		(1,896)	Other (gains)/losses		0
		(91,202)	Other Comprehensive Income and Expenditure		(210,203)
		<b>74,991</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>(223,925)</b>

**Group Balance Sheet**

<b>31 March 2020</b> <b>£000</b>		<b>31 March 2021</b> <b>£000</b>
2,407,907	Property ,Plant and Equipment (note xi)	2,388,124
291,582	Investment Property (note xii)	286,955
28,445	Long Term Investments and/or Investments in Associates and Joint Ventures	28,798
197,819	Heritage Assets	198,068
7,540	Long Term Debtors	958
<b>2,933,293</b>	<b>Long Term Assets</b>	<b>2,902,903</b>
50,454	Short Term Investments	40,276
2,446	Inventories	2,930
94,460	Short Term Debtors	132,103
106,810	Cash and Cash Equivalents	128,680
15,561	Assets held for Sale	14,061
<b>269,731</b>	<b>Current Assets</b>	<b>318,050</b>
(183,949)	Short Term Borrowing	(195,579)
(100,861)	Short Term Creditors	(118,852)
(2,253)	Provisions	(551)
(3,020)	PPP Short Term Liabilities	(4,638)
(25,164)	Capital Grants Receipts in Advance	(21,047)
(712)	Revenue Grants Receipts in Advance	(2,909)
(6,129)	Other Short Term Liabilities	(7,423)
<b>(322,088)</b>	<b>Current Liabilities</b>	<b>(350,999)</b>

**Group Balance Sheet**

<b>31 March 2020</b> <b>£'000</b>		<b>31 March 2021</b> <b>£'000</b>
0	Long Term Creditors	0
(613)	Provisions	(551)
(1,026,805)	Long Term Borrowing	(1,003,257)
(1,300)	Liabilities in Associates and Joint Ventures	(1,302)
(135,202)	PPP Long Term Liabilities	(130,565)
(57,602)	Other Long Term Liabilities	(57,194)
(330,592)	Pension Liabilities	(124,342)
<b>(1,552,114)</b>	<b>Long Term Liabilities</b>	<b>(1,317,211)</b>
<b>1,328,821</b>	<b>Net Assets</b>	<b>1,552,745</b>
<hr/>		
(59,966)	Usable Reserves	(99,401)
(1,156,004)	Unusable Reserves	(1,313,766)
4,938	Group - Usable Reserves	(5,538)
(117,790)	Group - Unusable Reserves	(134,040)
<b>(1,328,821)</b>	<b>Total Reserves</b>	<b>(1,552,745)</b>

Jonathan Belford, CPFA  
 Chief Officer - Finance  
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**Group Cash Flow**

<b>31 March 2020</b> <b>£000</b>		<b>31 March 2021</b> <b>£000</b>
(166,193)	Net surplus or (deficit) on the provision of services	13,722
274,253	Adjust net surplus or deficit on the provision of services for non cash movements	134,572
(45,521)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(80,053)
<b>62,539</b>	Net cash flows from Operating Activities (note 13)	<b>68,241</b>
(167,075)	Net cash flows from Investing Activities (note 14)	(34,578)
137,131	Net Cash flows from Financing Activities (note 15)	(11,793)
<b>32,595</b>	Net increase or (decrease) in cash and cash equivalents	<b>21,870</b>
74,214	Cash and Cash equivalent at the beginning of the reporting period	106,810
<b>106,810</b>	<b>Cash and Cash equivalent at the end of the reporting period</b>	<b>128,680</b>

## 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 2021, 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 2020 to 31 March 2021, 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 2020, 31 July 2020 and 28 February 2021. 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 £33 million in 2020/21 (2019/20 £34.2 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 2020/21, the partners contributed £366 million in funding to the IJB (£327 million 2019/20).

## **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 £135 million (2019/20, increase of £114 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 2020/21	ACC Control %	Commitment to meet accumulated deficits %	Net Assets / (liabilities) £'000	Surplus / (deficit) for the year £'000	The accounts can be acquired from
<b>Subsidiaries</b>					
Aberdeen Exhibition and Conference Centre	100	100	361	0	AECC, The Conference Centre, Bridge of Don, Aberdeen
Common Good	100	100	127,117	(263)	Head of Finance, Aberdeen City Council
Trust Funds	100	100	7,885	101	Head of Finance, Aberdeen City Council
Sport Aberdeen Limited	100	100	1,354	256	Broadford House, Broadford Road, Bridge of Don, Aberdeen, AB23 8EE
Bon Accord Care Limited	100	100	(3,549)	(2,641)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
Bon Accord Support Services Limited	100	100	(860)	(128)	Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP
<b>Joint Ventures</b>					
Aberdeen Sports Village Limited	50	50	32,688	(1,544)	University of Aberdeen, Kings College, Old Aberdeen AB24 3FX
Intregration Joint Board	50	50	18,236	15,634	50 Frederick Street, Aberdeen, AB24 5HY
<b>Associates</b>					
Grampian Valuation Joint Board	39	39	(3,339)	(4,023)	The Treasurer, Grampian Valuation Joint Board, c/o Moray Council, Council Offices, High Street, Elgin IV20 1BX

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

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

AH&P Ltd is a company limited by guarantee and has no share capital. Aberdeen City Council is the sole guarantor. Control of the Company rests with the Board of Directors which is independent from Aberdeen City Council. The Council is entitled to appoint 2 out of 10 directors i.e. 20% of the Board. In the event that AH&P Ltd ceases to exist the ownership of the assets would transfer to the Council. For the year ended 31 March 2021, AH&P Ltd made a profit of £626,829 (2019/20, £564,431 profit) and the net assets of the company were £4,720,090.51(2019/20, £4,203,314). Turnover was £4,597,949.59 (2019/20, £4,461,502). 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 2019/20, Aberdeen City Council contributed £195,000 (2018/19, £81,000) 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 2019/20 show a surplus of £563,000 (2018/19, £193,000 deficit) 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 2020/21 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 2020 net assets amounted to £303,659 (2018/19, £300,696) with a loss for the year of £2,963 (2018/19, £1,436 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 2020/21, Aberdeen City Council did not make any material contributions to the SDPA. In 2019/20, £30,000 was contributed 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 2020/21, Aberdeen City Council contributed £175,464 (2019/20, £147,414) 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**

<b>2019/20 £'000</b>		<b>2020/21 £'000</b>
53,684	Interest payable and similar charges	45,783
7,848	Pensions interest cost and expected return on pensions assets	7,024
(2,035)	Interest receivable and similar income	(547)
53,971	Income and expenditure in relation to investment properties and changes in their fair value	(601)
(3,390)	Other investment income	(1,789)
<b>110,078</b>	<b>Total</b>	<b>49,870</b>

**Note vii Cash Flow Statement – Group Operating Activities**

(166,193)	* Net surplus or (deficit) on the provision of services	13,722
(166,193)	*	13,722
<b>Adjustment to surplus or deficit on the provision of services for non-cash movements:</b>		
73,982	Depreciation	85,080
56,222	Impairment, downward revaluations & non sale derecognitions	50,218
(202)	(Increase)/Decrease in Stock	(484)
(447)	(Increase)/Decrease in Debtors	(33,714)
29,506	Increase/(Decrease) in Creditors	3,482
47,801	Payments to Pension fund	20,882
0	Carrying amount of non current assets sold	1,188
1,949	Carrying amount of written off assets	0
(1,269)	Contributions to Other Reserves / Provisions	(8,478)
60,341	Movement in value of investment properties	5,167
6,370	Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures	11,230
<b>274,254</b>		<b>134,571</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</b>		
(44,710)	Receipt of Capital Grants and Contributions	(86,709)
(811)	Proceeds from the sale of PP&E, investment property and intangible assets	(2,334)
15,506	Bond EIR adjustment	8,991
<b>(30,015)</b>		<b>(80,052)</b>
<b>78,046</b>	<b>Net cash flows from operating activities</b>	<b>68,242</b>

\*Net Surplus or (deficit) has been re-sated due to restatements of Sport Aberdeen and Grampian Valuation Joint Board.

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

(207,924)	Purchase of property, plant and equipment, investment property and intangible assets	(134,561)
(4,693)	Purchase/(Sale) of short term and long term investments	10,925
1,433	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,910
(601)	Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals	(561)
44,710	Capital grants and contributions received	86,709
<b>(167,075)</b>	<b>Net cash flows from investing activities</b>	<b>(34,578)</b>

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

2019/20 £'000		2020/21 £'000
(32)	Other receipts from financing activities	(32)
141,789	Repayments of short term and long term borrowing	677
(15,506)	Bond EIR Adjustment	(8,991)
(4,627)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(3,448)
<b>121,625</b>	<b>Net cash flows from Financing activities</b>	<b>(11,793)</b>

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

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

31 March 2020 £'000		31 March 2021 £'000
38	Cash held by officers	34
106,772	Bank current accounts	128,646
<b>106,810</b>	<b>Total cash and cash equivalents</b>	<b>128,680</b>

**Note xi Group Property, Plant and Equipment***Movements on Balances***Movements in 2019/20:**

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>	<b>PP Assets Included in Property, Plant &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>									
At 1 April 2019	<b>997,885</b>	<b>912,609</b>	<b>62,627</b>	<b>350,346</b>	<b>29,773</b>	<b>5,227</b>	<b>361,801</b>	<b>2,720,268</b>	<b>213,016</b>
Additions	50,527	10,184	10,781	19,604	520	103	116,190	207,909	524
Revaluations	(33,201)	(36,735)	0	0	0	(2,042)	0	(71,978)	(20,933)
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
<b>At 31 March 2020</b>	<b>1,018,867</b>	<b>1,179,561</b>	<b>71,017</b>	<b>369,950</b>	<b>30,293</b>	<b>8,807</b>	<b>53,813</b>	<b>2,732,308</b>	<b>192,607</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2019	<b>(86,846)</b>	<b>(44,231)</b>	<b>(38,513)</b>	<b>(110,224)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(279,814)</b>	<b>(12,326)</b>
Depreciation Charge	(31,900)	(22,886)	(7,598)	(11,600)	0	0	0	(73,984)	(3,673)
Depreciation & Impairment written out	0	26,759	0	0	0	0	0	26,759	15,408
Derecognition / Disposals	0	0	2,384	0	0	0	0	2,384	0
Transfers	0	253	0	0	0	0	0	253	0
<b>At 31 March 2020</b>	<b>(118,746)</b>	<b>(40,105)</b>	<b>(43,727)</b>	<b>(121,824)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(324,401)</b>	<b>(591)</b>
<b>Net Book Value</b>									
<b>At 31 March 2020</b>	<b>900,121</b>	<b>1,139,456</b>	<b>27,290</b>	<b>248,126</b>	<b>30,293</b>	<b>8,807</b>	<b>53,813</b>	<b>2,407,905</b>	<b>192,016</b>
<b>At 31 March 2019</b>	<b>911,039</b>	<b>868,378</b>	<b>24,114</b>	<b>240,122</b>	<b>29,773</b>	<b>5,227</b>	<b>361,801</b>	<b>2,440,453</b>	<b>200,690</b>

Movements in 2020/21:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant & Equipment £'000	PP Assets Included in Property, Plant & Equipment £'000
<b>Cost or Valuation</b>									
<b>At 1 April 2020</b>	<b>1,018,867</b>	<b>1,179,287</b>	<b>71,291</b>	<b>369,950</b>	<b>30,293</b>	<b>8,807</b>	<b>53,813</b>	<b>2,732,308</b>	<b>192,607</b>
Additions	56,526	22,154	9,389	13,818	201	(3,754)	38,757	137,091	1,431
Revaluations	(218,443)	(86)	0	0	0	(2,711)	0	(221,240)	0
Derecognition / Disposals	0	0	(13,439)	(1,012)	0	0	0	(14,451)	0
Transfers	0	(9,064)	0	0	0	7,849	0	(1,215)	0
<b>At 31 March 2021</b>	<b>856,950</b>	<b>1,192,291</b>	<b>67,241</b>	<b>382,756</b>	<b>30,494</b>	<b>10,191</b>	<b>92,570</b>	<b>2,632,493</b>	<b>194,038</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>At 1 April 2020</b>	<b>(118,746)</b>	<b>(40,105)</b>	<b>(43,727)</b>	<b>(121,824)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(324,401)</b>	<b>(591)</b>
Depreciation Charge	(34,222)	(28,492)	(10,158)	(12,221)	0	0	0	(85,093)	(3,665)
Depreciation & Impairment written out	149,960	778	0	0	0	0	0	150,738	0
Derecognition / Disposals	0	0	13,376	1,012	0	0	0	14,388	0
Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2021</b>	<b>(3,008)</b>	<b>(67,819)</b>	<b>(40,509)</b>	<b>(133,033)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(244,368)</b>	<b>(4,256)</b>
<b>Net Book Value</b>									
<b>At 31 March 2021</b>	<b>853,943</b>	<b>1,124,472</b>	<b>26,732</b>	<b>249,724</b>	<b>30,494</b>	<b>10,191</b>	<b>92,570</b>	<b>2,388,124</b>	<b>189,782</b>
<b>At 31 March 2020</b>	<b>900,121</b>	<b>1,139,182</b>	<b>27,564</b>	<b>248,127</b>	<b>30,293</b>	<b>8,807</b>	<b>53,813</b>	<b>2,407,908</b>	<b>192,016</b>

**Note xii Investment Properties**

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

	2019/20 £'000	2020/21 £'000
Rental and interest income from investment property	(11,642)	(10,583)
Expenses arising from investment property	8,728	7,254
Revaluation (gains)/losses	(26)	5,571
<b>Net (gain)/loss</b>	<b>(2,940)</b>	<b>2,242</b>

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

	2019/20 £'000	2020/21 £'000
<b>Balance at start of the year</b>	239,246	291,582
Additions:		
• Purchases	0	0
Disposals	(1,830)	(1,125)
Net gains/losses from fair value adjustments	(57,718)	(4,719)
Transfers:		
• to/from Inventories	127,084	1,217
• to/from Property, Plant and Equipment	0	0
• to/from Assets Held for Sale	(15,200)	0
<b>Balance at end of the year</b>	<b>291,582</b>	<b>286,955</b>

**Note xiii**

**Loans and Trading Balances with subsidiaries as at 31 March 2020 and 2021 are as follows:**

	Loans		Debtors		Creditors	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
AECC	0		0	0	0	0
Bon Accord Care Ltd	0		14	0	(36)	(19)
Bon Accord Support Services Ltd	0		7,175	8,307	(3,352)	(1,290)
Sport Aberdeen	(2,695)	(2,915)	1	0	(3)	0
Common Good	(20,702)	(31,433)	0		0	
Trust Funds	(3,984)	(4,239)	0		0	
	<b>(27,381)</b>	<b>(38,587)</b>	<b>7,190</b>	<b>8,307</b>	<b>(3,391)</b>	<b>(1,309)</b>

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

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

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

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

<b>2019/20</b>	<b>Share of Operating (surplus)/deficit £'000</b>	<b>Total Assets £'000</b>	<b>Total Liabilities £'000</b>	<b>Net Assets /Liabilities £'000</b>
<b>Associates</b>				
Grampian Valuation Joint Board	214	554	(1,854)	(1,300)
<b>Associates Total</b>	<b>214</b>	<b>554</b>	<b>(1,854)</b>	<b>(1,300)</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	548	22,917	(5,827)	17,090
Integration Joint Board	1,490	1,314	(13)	1,301
<b>Joint Ventures Total</b>	<b>2,038</b>	<b>24,231</b>	<b>(5,840)</b>	<b>18,391</b>
<b>2020/21</b>	<b>Share of Operating (surplus)/deficit £'000</b>	<b>Share of Total Assets £'000</b>	<b>Share of Total Liabilities £'000</b>	<b>Share of Net Assets /Liabilities £'000</b>
<b>Associates</b>				
Grampian Valuation Joint Board	2	828	(2,131)	(1,303)
<b>Associates Total</b>	<b>2</b>	<b>828</b>	<b>(2,131)</b>	<b>(1,303)</b>
<b>Joint Venture</b>				
Aberdeen Sports Village Limited	772	21,782	(5,438)	16,344
Integration Joint Board	(7,817)	9,118		9,118
<b>Joint Ventures Total</b>	<b>(7,045)</b>	<b>30,900</b>	<b>(5,438)</b>	<b>25,462</b>

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

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

**Subsidiaries**

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

The difference between the actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the CIES. The pension surplus for the year is £2,970,000 (2019/20, £2,140,000 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 2020/21 BASS realised a loss of £128,000 while BAC realised a loss of £2,641,000.

#### 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 2019/20 was £141,000 (2018/19, £72,000).

#### Associates

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

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

	<b>2019/20</b>	<b>2020/21</b>
	£'000	£'000
Grampian Valuation Joint Board	45	0

#### **Note xvii Net Pension Liabilities**

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

	<b>2019/20</b>	<b>2020/21</b>
	£'000	£'000
ACC	(309,303)	(118,091)
<b>Share of Associates</b>		
Grampian Valuation Joint Board	(1,668)	(1,668)
<b>Total</b>	<b>(310,971)</b>	<b>(119,759)</b>

*Independent Auditors Opinion – 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 2020/21.

**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 2021

Registered Numbers:

Guildry - 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 2020/21**

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 Michael Hutchison
Councillor Yvonne Allan	Councillor Claire Imrie
Councillor Christian Allard	Councillor Freddie John
Councillor Alison Alphonse	Councillor Jenny Laing
Councillor Gillian Al-Samarai	Councillor Douglas Lumsden
Councillor Phillip Bell	Councillor Sandra MacDonald
Councillor Marie Boulton	Councillor Neil MacGregor
Councillor David Cameron	Councillor Avril MacKenzie
Councillor John Cooke	Councillor M. Tauqeer Malik
Councillor Neil Copland	Councillor Tom Mason
Councillor Bill Cormie	Councillor Alexander McLellan
Councillor Sarah Cross	Councillor Ciaran McRae
Councillor Stephen Delaney	Councillor Jessica Mennie
Councillor Alan Donnelly	Councillor Alex Nicol
Councillor Jackie Dunbar	Councillor Audrey Nicol
Councillor Lesley Dunbar	Councillor Jim Noble
Councillor Sarah Duncan	Councillor Miranda Radley (appointed 05/11/20)
Councillor Stephen Flynn (resigned 05/03/20)	Councillor John Reynolds
Councillor Gordon Graham	Councillor Phillip Sellar
Councillor Ross Grant	Councillor Jennifer Stewart
Councillor Martin Greig	Councillor Gordon Townson
Councillor Dell Henrickson	Councillor John Wheeler
Councillor Ryan Houghton	Councillor Ian Yuill

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.

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 £281k in 2019/20 to £338k in 2020/21.

Total Expenditure decreased from £289k in 2019/20 to £231k in 2020/21. The Trusts paid £4k less in donations, paid £39k less free revenue to the Common Good and Mortification Funds and administration costs fell by £8k.

The value of Investments increased by £250 in 2020/21 compared to a decrease of £415k 2019/20.

Investments in the City of Aberdeen Loans Fund have increased from £3.237 million in 2019/20 to £3.529 million in 2020/21.

This has resulted in an increase in Net Assets from £7.686 million in 2019/20 to £8.043 million in 2020/21.

The following financial statements for all the Charitable Trusts have been prepared using the connected charities provision. They show the income and expenditure for the individual charities along with the surplus or deficit for the year. None of the individual charities are carrying forward a deficit on their reserves.

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

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

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

## **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 £7,949 million which are made up of unrestricted funds of £4.076 million and designated funds of £3.873 million. There are no restricted funds. Designated funds are those

funds which relate to Aberdeen City Council non-charitable trusts which have invested in the Lands of Skene and Torry and at present no plans exist to spend this money.

### **Achievements and performance**

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

### **Future plans**

The Guildry has been working with the University of Aberdeen, Robert Gordon University and North East Scotland College to find candidates for its bursary scheme. A new constitution for the Guildry is being drafted and 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 2021.

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## **Appendix 1**

### **Charity Name, Number and Purpose**

<b>Charity Name</b>	<b>Charity Number</b>	<b>Purpose</b>	<b>Governing Document</b>
Guildry	SC011857	Support the Guildry activities including financial assistance scheme and educational bursaries	Court of Session decision 1996
Bridge of Don Fund	SC018551	The advancement of Heritage	Constitution dated August 2016
Alexander MacDonald's Bequest	SC018568	Purchase of Works of Art for Aberdeen Art Gallery	Trust Deed 11 December 1882
Aberdeen Art Gallery Trusts	SC018575	Purchase of Works of Art for Aberdeen Art Gallery	Trust Deed March 2014
Lands of Skene	SC018533		Unavailable
Lands of Torry	SC021299	The advancement of Education	Unavailable
Education Endowment	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
Investment Funds			

## **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 2021**

	Unrestricted Funds 2020/21 £'000	Restricted Funds 2020/21 £'000	Endowment Funds 2020/21 £'000	Total Funds 2020/21 £'000	Total Funds 2019/20 £'000
<u>Note</u>					
<b>Income and endowments from:</b>					
Incoming resources from generated funds					
Donations & Legacies	129	-	-	129	1
Investments	209	-	-	209	280
Total	338	-	-	338	281
<b>Expenditure on:</b>					
Charitable Activities	231	-	-	231	289
Total	231	-	-	231	289
Net income/expenditure	107	-	-	107	(8)
<b>Other recognised gains/(losses):</b>					
Gains/(losses) on investment assets	234	-	16	250	(415)
Net movement in funds	341	-	16	357	(423)
<b>Reconciliation of funds</b>					
Total funds brought forward	7,589	-	97	7,686	8,109
<b>Total funds carried forward</b>	<b>7,929</b>	<b>-</b>	<b>113</b>	<b>8,043</b>	<b>7,686</b>

**Aberdeen City Council Charitable Trusts**  
**Balance Sheet as at 31 March 2021**

	<u>Note</u>	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Investments	5	4,440	4,169
<b>Total fixed assets</b>		<b>4,440</b>	<b>4,169</b>
<b>Current assets</b>			
Stocks and work-in-progress		-	1
Debtors	6	52	53
Investments - City of Aberdeen Loans Fund	7	3,529	3,237
Cash at bank - Guildry Investment Account		200	400
<b>Total current assets</b>		<b>3,781</b>	<b>3,691</b>
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	8	(179)	(174)
		<b>(179)</b>	<b>(174)</b>
Net current assets/(liabilities)		<b>3,602</b>	<b>3,517</b>
<b>Net asset/(liabilities )</b>		<b>8,043</b>	<b>7,686</b>
<b>The funds of the charity</b>			
Endowment funds		110	112
Restricted income funds		-	-
		<b>110</b>	<b>112</b>
Unrestricted income funds:			
Designated Funds:			
Common Good Fund		2,526	2,404
Dr Duncan Liddel's Mortification - Professor of Mathematics		692	630
Dr Duncan Liddel's Mortification - Library of College		35	32
James Cargill Mortification - Bursary Fund		282	257
Patrick Copland's Mortification - Professor of Divinity		338	308
Unrestricted funds		4,060	3,943
<b>Total unrestricted funds</b>		<b>7,933</b>	<b>7,574</b>
<b>Total charity funds</b>	9	<b>8,043</b>	<b>7,686</b>

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

The financial statements were approved and authorised for issue by the trustees on 30 June 2021.

**Aberdeen City Council Charitable Trusts**  
**Statement of Cash Flows**  
**For the year ended 31 March 2021**

	<u>Note</u>	Total Funds £'000	Prior Year Funds £'000
<b>Net cash used in operating activities</b>	12	<b>(224)</b>	<b>(291)</b>
<b>Cash Flows from investing activities</b>			
Dividends, interest and rents from investments		338	281
Purchase of investments		-	-
Proceeds from sale of investments		-	3
<b>Net cash provided by investing activities</b>		<b>338</b>	<b>284</b>
<b>Change in cash and cash equivalents in the year</b>		<b>114</b>	<b>(7)</b>
Cash and cash equivalents brought forward		3,637	3,644
<b>Cash and cash equivalents carried forward</b>	13	<b>3,751</b>	<b>3,637</b>

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

**1 - Accounting policies**

**Accounting convention**

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

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

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

**Going concern**

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

The John Murdoch Henderson Trust, part of the EEIF, had funds of £31k at 31 March 2020 and plans to expend remaining trust funds on subscriptions to on-line music services. When funds have been expended the trust will be wound up.

**Recognition of revenue and expenditure**

All income and expenditure due to be paid or received in respect of the year ended 31 March 2020 has been provided for within these accounts. Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2021**

**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 2021**

**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 2021**

	2021 £'000	2020 £'000
<b>2 INVESTMENT INCOME</b>		
Interest receivable	16	36
Rent from Investment Properties	193	244
Share of lands free revenue	-	-
	<b>209</b>	<b>280</b>
<b>3 CHARITABLE ACTIVITIES</b>		
Donations and expenditures	11	7
Payments to Beneficiaries:		
Common Good Fund	84	110
Dr Duncan Liddel's Mortification - Professor of Mathematics	42	57
Dr Duncan Liddel's Mortification - Library of College	2	-
James Cargill Mortification - Bursary Fund	17	22
Patrick Copland's Mortification - Professor of Divinity	21	26
Property costs	13	19
	<b>190</b>	<b>241</b>
<b>4 GOVERNANCE COSTS</b>		
Accounting and administration	33	41
Audit Fee	8	7
	<b>41</b>	<b>48</b>

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2021**

	2021 £'000	2020 £'000		
<b>5 TANGIBLE FIXED ASSETS</b>				
Market Value at 1 April	4,190	4,602		
Net investment gains/(losses)	250	(415)		
Purchases	-	3		
Disposals	-	-		
Market Value at 31 March	<u><u>4,440</u></u>	<u><u>4,190</u></u>		
Investments at market value				
Comprised:				
Investment Properties	4,332	4,097		
Gilt	7	5		
Equities	<u>101</u>	<u>88</u>		
	<u><u>4,440</u></u>	<u><u>4,190</u></u>		
The property portfolio was valued internally by Deborah Wylie, Bsc MRICS and Neil Strachan, BLE MRICS who are Registered Valuers in accordance with the Statement of Assets Valuation Practice and guidance notes of the Royal Institute of Chartered Surveyors (RICS).				
Lands of Skene is a charity which owns an area of land known as the Lands of Skene. The Guildry Fund, Common Good Fund and Bridge of Don Fund each invested financially in the Lands of Skene and as a result are entitled to recognise a share of the total assets less current liabilities of this charity, being calculated in proportion to the initial amount invested by each, as an investment on their respective Balance Sheets.				
<b>6 DEBTORS</b>				
Prepayments & accrued income	<u><u>52</u></u>	<u><u>53</u></u>		
<b>7 INVESTMENTS HELD AS CURRENT ASSETS</b>				
City of Aberdeen Loan Funds	<u><u>3,529</u></u>	<u><u>3,237</u></u>		
The trustees have invested the free reserves of each of the charities in the City of Aberdeen loan funds in order to earn interest for the benefit of each charity. The loan funds is a cash investment and is stated at market value at the Balance Sheet date.				
<b>8 CREDITORS: Amounts falling due within one year</b>				
Accruals and deferred income	179	174		
Short Term Loan - Aberdeen City Council	<u>-</u>	<u>-</u>		
	<u><u>179</u></u>	<u><u>174</u></u>		
<b>9 ANALYSIS OF NET ASSETS IN FUNDS</b>	<b>Tangible fixed assets £'000</b>	<b>Current assets (liabilities) £'000</b>	<b>Total £'000</b>	<b>Total £'000</b>
Unrestricted funds	<u><u>4,440</u></u>	<u><u>3,602</u></u>	<u><u>8,043</u></u>	<u><u>7,686</u></u>
<b>10 CONTROLLING INTEREST</b>				
Each charity is under the control of its trustees.				

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2021**

	2021 £'000	2020 £'000
<b>11 RELATED PARTY TRANSACTIONS</b>		
Aberdeen City Council provides the accounting services for the trust for which a management fee is charged.	35	35
The trust also has funds deposited with Aberdeen City Loans Fund as detailed in note 7.		
<b>12 RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	357	(423)
Adjustments for:		
(Gains)/losses on investments	<span style="color: red;">(250)</span>	415
Dividends, interest and rents from investments	<span style="color: red;">(338)</span>	<span style="color: red;">(281)</span>
Decrease/(increase) in stocks	1	-
Decrease/(increase) in debtors	1	(5)
Increase/(decrease) in creditors	5	3
Net cash provided by (used in) operating activities	<span style="color: red;">(224)</span>	<span style="color: red;">(291)</span>
<b>13 ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Investments - City of Aberdeen Loans Fund	3,529	3,237
Cash at bank - Guildry Investment Account	200	400
	<u>3,729</u>	<u>3,637</u>

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2021**

**14 ANALYSIS OF CHARITABLE TRUSTS**

	Charity Number	Individual Trust Balances						Balance as at 31 March 2021 £'000
		Balance as at 1 April 2020 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000		
EEIF	SC025063	(147)	-	(16)	(131)	3	(291)	
Guildry	SC011857	(2,629)	-	6	(5)	17	(2,611)	
Bridge of Don	SC018551	(1,221)	-	4	1	1	(1,215)	
Alexander MacDonald Bequest	SC018568	(30)	-	-	-	1	(29)	
Aberdeen Art Gallery Trust	SC018575	(27)	-	-	-	5	(22)	
Lands of Skene	SC018533	(3,767)	-	14	(32)	32	(3,753)	
Lands of Torry	SC021299	(2,499)	-	(249)	(167)	167	(2,748)	
<b>Total</b>		<b>(10,320)</b>	<b>-</b>	<b>(241)</b>	<b>(334)</b>	<b>226</b>	<b>(10,669)</b>	

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

	Charity Number	Individual Trust Balances after adjusting for intra trust transactions						Balance as at 31 March 2021 £'000
		Balance as at 1 April 2020 £'000	Transfer between Funds £'000	Revaluation of Investments £'000	Income £'000	Expenditure £'000		
EEIF	SC025063	(147)	-	(16)	(131)	3	(291)	
Guildry	SC011857	(1,004)	-	-	(6)	17	(993)	
Bridge of Don	SC018551	(1)	-	-	-	1	-	
Alexander MacDonald Bequest	SC018568	(32)	-	-	-	1	(31)	
Aberdeen Art Gallery Trust	SC018575	(27)	-	-	-	5	(22)	
Lands of Skene	SC018533	(3,976)	-	14	(32)	36	(3,958)	
Lands of Torry	SC021299	(2,499)	-	(249)	(167)	167	(2,748)	
<b>Total</b>		<b>(7,686)</b>	<b>-</b>	<b>(250)</b>	<b>(337)</b>	<b>231</b>	<b>(8,043)</b>	

**Aberdeen City Council Charitable Trusts**  
**Notes to the Accounts**  
**For the year ended 31 March 2021**

15 ANALYSIS OF CHARITABLE TRUSTS BALANCE SHEETS

Charity Name	Charity Number	Individual Trust Balances										
		Heritable Property					Investment Aberdeen City Council Loans Fund					
		Gilts £'000	Equities £'000	Investments £'000	Property £'000	Stock £'000	Cash at Bank £'000	Debtors £'000	Creditors £'000	Provision £'000	Total £'000	
EEIF	SC025063	7	101	-	-	-	182	-	-	-	291	
Guildry	SC011857	-	-	1,501	-	-	915	200	0	(3)	-	2,613
Bridge of Don	SC018551	-	-	1,125	-	-	238	-	-	-	(150)	1,214
Alexander McDonald Bequest	SC018568	-	-	-	-	-	30	-	-	-	-	30
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	-	22	-	-	-	-	22
Lands of Skene	SC018533	-	-	-	1,609	-	2,136	-	6	-	-	3,751
Lands of Torry	SC021299	-	-	-	2,723	-	5	-	46	(26)	-	2,748
<b>Total</b>		<b>7</b>	<b>101</b>	<b>2,626</b>	<b>4,332</b>	<b>-</b>	<b>3,529</b>	<b>200</b>	<b>52</b>	<b>(29)</b>	<b>(150)</b>	<b>10,669</b>

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

Charity Name	Charity Number	Individual Trust Balances after adjusting for intra trust transactions										
		Heritable Property					Investment Aberdeen City Council Loans Fund					
		Gilts £'000	Equities £'000	Investments £'000	Property £'000	Stock £'000	Cash at Bank £'000	Debtors £'000	Creditors £'000	Provision £'000	Total £'000	
EEIF	SC025063	7	101	-	-	-	182	-	-	-	291	
Guildry	SC011857	-	-	-	-	-	796	200	-	(3)	-	993
Bridge of Don	SC018551	-	-	-	-	-	150	-	-	-	(150)	0
Alexander McDonald Bequest	SC018568	-	-	-	-	-	30	-	-	-	-	30
Aberdeen Art Gallery Trust	SC018575	-	-	-	-	-	22	-	-	-	-	22
Lands of Skene	SC018533	-	-	-	1,609	-	2,343	-	6	-	-	3,958
Lands of Torry	SC021299	-	-	-	2,723	-	5	-	46	(26)	-	2,748
		<b>7</b>	<b>101</b>	<b>-</b>	<b>4,332</b>	<b>-</b>	<b>3,529</b>	<b>200</b>	<b>52</b>	<b>(29)</b>	<b>(150)</b>	<b>8,043</b>



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