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To: Councillor Macdonald, Convener; Councillor Houghton, Vice Convener; and Councillors Allard, Bonsell, Bouse, Fairfull, Hutchison, McLellan, Massey, Nicoll, Radley, Stewart and Watson.

Town House,
ABERDEEN 23 September 2022

AUDIT, RISK AND SCRUTINY COMMITTEE

The undernoted items are circulated in connection with the meeting of the **AUDIT, RISK AND SCRUTINY COMMITTEE** to be held here in the Town House on **TUESDAY, 27 SEPTEMBER 2022 at 2.00 pm**. This is a hybrid meeting and Members may also attend remotely.

The meeting will be webcast and a live stream can be viewed on the Council's website. <https://aberdeen.public-i.tv/core/portal/home>

VIKKI CUTHBERT
INTERIM CHIEF OFFICER - GOVERNANCE

BUSINESS

COMMITTEE BUSINESS

External Audit

9.9 External Audit Annual Report (Pages 3 - 56)

Annual Reports and Accounts

9.10 Audited Annual Accounts 2021-22 - RES/22/210 (Pages 57 - 242)

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

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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 2022

DRAFT 27 September 2022

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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 who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6682 or email to hugh.harvie@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Fiona Kordiak, Director of Audit Services, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

Executive summary

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Audit status and 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 2022, and of the surplus for the year then ended.

For 2021-22, amendment to regulations is such that the deadline for approval by the Council of audited financial statements is extended from end September to end November. Audit Scotland set a target audit completion date of end October which we anticipate meeting.

The Council has continued to support the audit in a challenging environment such that at the time of drafting most aspects of the audit are substantially complete. However the continued impact of the pandemic, the sector wide late consideration of accounting and audit of infrastructure assets (September) and late receipt of updated valuations for certain assets means some aspects of our work are not fully complete.

The following aspects of our audit are to be completed, and while not expected to give rise to material amendment to the accounts or issues based on testing to date, are highlighted:

- Checking the accuracy of processed audit adjustments and associated disclosures in final accounts, particularly in respect of valuations.
- Audit of consolidation and associated adjustments.
- Finalisation of our valuation specialist work following receipt of responses to a small number of final queries.
- A number of internal quality procedures including review as we complete documentation of our audit testing.

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

Executive summary

Uncorrected audit misstatements

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There are two uncorrected audit misstatement summarised in appendix three. Associated with expenditure and accruals, and Pensions as noted on pages 42.

Corrected audit misstatements

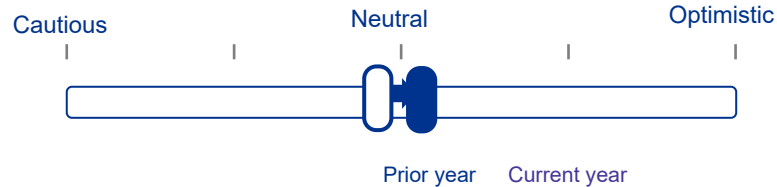
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In addition seven correct audit adjustments were made in respect of valuations, PPE, assets under construction, defined benefit obligations and the remuneration report. Details of these adjustments are noted on pages 39 – 41.

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Accounting judgements related to estimates

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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 22 February 2022.

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

Accountable officer responsibilities

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

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

Auditor responsibilities

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

Scope

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

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

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

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

Limitations on work performed

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

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

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

Audit conclusions

Audit opinion

Following approval of the annual accounts by the Audit, Risk and Scrutiny Committee on 27 September 2022 and finalisation of 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 2022, and of the surplus for the year then ended. The long form audit opinion, prepared as a requirement of the Council's status as an UK 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 audit of the Charities ongoing and we will report later, at this stage there are no issues to report in respect of the Charities Statement of Accounts.

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 2021-22 ("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. Pending completion, we expect to confirm that 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 of the Council have been prepared in accordance with the relevant charity accounting legislation.

Annual accounts preparation and audit readiness

The statutory deadlines for approving and publishing the 2021-22 annual accounts are set out in The Local Authority (Scotland) Regulations 2014, however for 2021-22 these have been amended by The Local Authority (Capital Finance And Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022 as follows: a local authority should aim to provide audited annual accounts no later than 30 November 2022 (deferred from 30 September); and requires the approved audited annual accounts to be published no later than 15 December 2022 (deferred from 31 October).

In 2021-22 the Council reviewed its timetable for approval of draft accounts taking account of the local Government elections in May, and also with discussion with KPMG decided to present complete draft accounts to the Risk and Audit Committee on 30 June 2022. The Council provided us a pre-audit set of statements during May 2022 and work began on this date on the significant risk areas. The Council have provided good support to facilitate access to information and complete audit testing.

The Council have requested external valuations for the Energy Centre, and AD Plant, these were received late in the audit, reiterating a point made in prior years around 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

Nine audit misstatements were identified during the audit. We have agreed with management that seven will be adjusted and two are unadjusted.

Written representations

We have supplied a draft management representation letter for approval, this is on the agenda in this meeting. These representations are those normally requested from management.

Materiality and summary of risk areas

Materiality

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

We used a materiality of £9.5 million for the Council's standalone financial statements, and £9.6 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 £6.1 million. For the Group accounts it was £6.2 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.

Whilst not considered to be significant risks, our audit strategy also identified other audit risks in respect of capital expenditure, the accounting treatment of Covid-19 grant income and spend, and the preparation for IFRS16.

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>Fraud risk from management override of controls</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>Strong oversight of finances by management, and reporting to those charged with governance, provides additional review of potential material misstatements caused by management override of controls.</p> <p>Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the Council.</p> | <p>In line with our methodology, we have tested the operating effectiveness of controls over journal entries and post closing adjustments.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Evaluated the design, implementation and tested the operating effectiveness of controls in place for the approval of manual journals posted to the general ledger to ensure that they are appropriate. — Analysis of all journals through the year using data and analytics and focusing our testing on those with a higher risk. — Assessing appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. — Considering the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual. — Evaluated 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. | <p><i>We did not identify any indicators of management bias or management fraud.</i></p> <p>Our evaluation of the design and implementation of journal entries was satisfactory and the results of the testing has provided us sufficient audit evidence that management have not overridden controls. No issues were identified.</p> <p>We have used Data and Analytics to focus and direct our testing of Journals</p> <p>We have not identified any inappropriate changes in assumptions while preparing estimates.</p> <p>We have considered the accounting for significant transactions and concluded that these have been accounted for appropriately and all related party transactions have been appropriately disclosed.</p> |

Significant risks (continued)

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| SIGNIFICANT RISK | OUR RESPONSE | AUDIT CONCLUSION |
|--|--|--|
| <p>Fraud risk over expenditure recognition (risk over income recognition rebutted)</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 rebut the assumed risk in respect of the remaining expenditure accounts (£920 million) within the £1,219 million (in 2021-22) gross expenditure.</p> <p>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>Our procedures included:</p> <ul style="list-style-type: none"> — Comparison of the outturn with the in year budget monitoring, considering variances from budgeted reserves utilisation to actual utilisation. — Testing of the design and implementation of controls specific to expenditure cut-off. — Testing of expenditure cut-off including a search for unrecorded liabilities. — Detailed testing of transactions focusing on the areas of greatest risk, including creditors, accruals and provisions to challenge completeness of these balances. — Review and challenge of management in respect of cut-off arrangements and use of any de-minimis levels. — Testing of journal entries in relation to expenditure for evidence of management bias. | <p><i>We have concluded that that expenditure is appropriately recognised.</i></p> <p>We obtained sufficient, appropriate evidence for variances from budgeted reserves utilisation to actual utilisation.</p> <p>No exceptions were identified in respect of the specific controls testing, and testing of high risk journals.</p> <p>Expenditure cut-off testing provided us with sufficient assurance to confirm that expenditure is complete and accounted for in the correct accounting year.</p> <p>Our testing of accruals and transactions post year end identified one unadjusted audit difference, in which 2021-22 Expenditure and Accruals are understated (see ref 1 page 41).</p> <p>No indications of management bias were identified.</p> |

| SIGNIFICANT RISK | OUR RESPONSE | AUDIT CONCLUSION |
|---|--|---|
| <p>Valuation of council dwellings, other land and buildings, surplus assets and investment properties</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 2021-22 the following category of assets were subject to revaluation and the movements were material:</p> <ul style="list-style-type: none"> - Swimming pools and sport centres; - Golf courses; - Community and Community Education centres; - Museums and Theatres; - Crematorium; and - Council Offices. <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 2021-22 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 2021 were valued at £192 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&J Live).</p> | <p>Our procedures included:</p> <p>Control design:</p> <ul style="list-style-type: none"> — Obtaining an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. — Evaluating the design and implementation of the controls relating to the valuation of the Council dwellings, other land and buildings, surplus assets and Investment Properties. — Critically assessing the approach that the Council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. — Assessing the risk of the valuation changing materially during the year, or between the date of valuation and the year end. <p>Assessing valuer's credentials:</p> <ul style="list-style-type: none"> — Critically assessing the independence, professional qualifications, competence and experience of the Council valuer. <p>Assessing methodology choice and benchmarking assumptions:</p> <ul style="list-style-type: none"> — Utilising our internal specialist to critically assess the methodology used by the Council's valuer by considering whether the valuations are in accordance with the RICS Valuation Professional Standards 'the Red Book' and relevant accounting standards. — Challenging the key assumptions upon which the valuations were based for a sample of properties, by making a comparison to our own assumption ranges derived from market data. — Meeting with the Council's valuer to understand the assumptions and methodologies used in valuing the assets revalued during 2021-22 and the market evidence used to support the assumptions. | <p>We found the resulting valuation of council dwellings, other land and buildings, surplus assets and investment properties to be acceptable.</p> <p>Control design:</p> <p>We evaluated the design and implementation of the management controls relating to the valuation of Council dwellings, other land and buildings, surplus assets and Investment Properties, including having sufficient oversight - we have identified two control weaknesses including one for infrastructure assets (see recommendations pages 43 and 44)</p> <p>We requested management carry out an exercise to specifically consider assets not subject to revaluation in 2021-22. This was considered by the Council and reviewed by is.</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>We previously, and continued to challenge management to consider whether assets not valued in year remained materially fairly stated. As a result of their exercise management identified that secondary school replacement cost indices had potentially moved materially and therefore carried out an additional valuation. This led to the AM4 adjustment page 40 as the results followed the draft accounts.</p> <p>We have received the valuations for the revalued schools which has led to the uplift of £38m and are in the process of checking these have been accurately reflected in the updated accounts.</p> <p>Assessing valuer's credentials</p> <p>We concluded that the Council's valuer is appropriately qualified, competent and experienced to prepare the Council's valuations.</p> |

Significant risks (continued)

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| SIGNIFICANT RISK | OUR RESPONSE | AUDIT CONCLUSION |
|--|---|---|
| <p>Valuation of council dwellings, other land and buildings, surplus assets and investment properties</p> <p>Continued...</p> <p>The Covid-19 pandemic has had a significant impact on the operation of P&J Live, hotels and interest in Marischal Square accommodation and may impact on investment and surplus asset valuations generally.</p> <p>P&J Live was classified as an operational asset (valued on the basis of depreciated cost), while the energy centre was classified as an investment property (valued at cost) in 2020-21, we have challenged management to continue to assess whether a market value can be determined.</p> <p>We understand that the AD Plant will be completed in 2021-22 and management will need to document their judgements as to the classification of this asset, the basis of valuation, and the valuation itself.</p> <p><i>This represents a Key Audit Matter in the audit opinion.</i></p> | <p>Continued...</p> <ul style="list-style-type: none"> Challenging management's assessment of why it considers that the land and buildings not revalued in 2021-22 are not materially misstated. We will consider if the assumptions are appropriate and if input data is in accordance with support/benchmarks. <p>Input assessment</p> <ul style="list-style-type: none"> For a sample of properties we agreed the observable inputs used in the valuations, such as land size and floor space to information held by the Estates Department. For the sample we agreed rental income to the amounts invoiced. <p>Disclosure assessment</p> <ul style="list-style-type: none"> Critically assessing the adequacy of the Council's disclosures in relation to the judgement in relation to valuing properties. | <p>Continued...</p> <p>Assessing methodology choice and benchmarking assumptions:</p> <p>We have continued to challenge the Council on the categorisation of the significant components of the TECA development. During 2021-22 the Council reviewed the components and the continuing use of these assets. The conclusion management came to which we are comfortable with is as follows:</p> <p>P&J Live: specialised operational asset valued at depreciated replacement cost (DRC) no change from 2020-21</p> <p>The two hotels: investment properties valued at market value no change from 2020-21</p> <p>We received and considered detailed workings for the Marischal Square and HRA valuations.</p> <p>Following challenge by us on the classification of assets management have reviewed the following assets:</p> <ul style="list-style-type: none"> Energy Centre: How the centre works and they have concluded that this is a specialised operational asset valued at depreciated replacement cost. We concur with this assessment. This is a change in classification as in 2020-21 this was included as an investment property valued at cost. AD Plant: This is a newly completed asset, and has been transferred from assets under construction in 2021-22 and management have concluded that it meets the definition of an operational asset and as such is valued as a specialised operational asset valued at depreciated replacement cost. <p>Both the Energy Centre and the AD Plant were externally professionally valued so that the Council can recognise these assets in line with the CIPFA code and at fair value. We are satisfied with the valuations of these assets as operational assets.</p> <p>Associated development land are again categorised as investment property reflected at market value</p> <p>We are finalising our conclusions in respect of a number of aspects of valuations following receipt of information from management.</p> <p>While a result of management's proactive response to previous and ongoing audit challenge, where adjustments arose between the draft and final financial statements we have included them within the summary of audit adjustments.</p> <p>Input assessment</p> <p>For each of the assets sampled, management supported the key inputs to the asset valuation.</p> <p>Disclosure assessment</p> <p>We reviewed the additional disclosures in respect of the judgement in relation to valuing properties and noted no issues.</p> |

Significant risks (continued)

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| SIGNIFICANT RISK | OUR RESPONSE | AUDIT CONCLUSION |
|---|--|---|
| <p>Valuation of the Retirement benefits – Gross Liabilities (V)</p> <p>The gross valuation of pension liability (£1.6 billion as at 31 March 2021), 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 2022 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 Valuation of Gross Liabilities at 31 March 2022 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>Control design:</p> <ul style="list-style-type: none"> 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. <p>Benchmarking assumptions:</p> <ul style="list-style-type: none"> Challenging, with the support of our own actuarial specialists, the key assumptions used by the actuary (the discount rate, inflation rate and mortality/life expectancy) against externally derived data. Challenging the rate of increase in pensionable salaries assumption, by comparing it to other evidence such as business and transformation plans and our understanding of Government and staff expectations. <p>Management Expert:</p> <ul style="list-style-type: none"> Evaluating the competency, objectivity of the scheme actuaries to confirm the qualifications and the basis for their calculations. <p>Data Testing:</p> <ul style="list-style-type: none"> Agreeing the data provided by the council to the North East Scotland Pension Fund for use within the calculation of the scheme valuation. <p>Assessing transparency:</p> <ul style="list-style-type: none"> Considering the adequacy of the disclosures in respect of the sensitivity of the liability to these assumptions. Assessing if the disclosures within the financial statements are in accordance with the Code's requirements. <p>Test of Details:</p> <ul style="list-style-type: none"> Test of detail of the year end cashflows, membership details, and asset rate of returns. | <p>We are satisfied that the retirement benefit obligation:</p> <ul style="list-style-type: none"> is correctly recognised on the balance sheet as at 31 March 2022; has been accounted for and disclosed correctly in line with IAS19 Retirement benefits; and assumptions used in calculating this estimate and management's judgements are appropriate, balanced and within a range which we consider to be acceptable. <p>Control design:</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. This recommendation was identified in the 20-21 audit, management confirmed they are comfortable with their current arrangements, we continue to recommend it as it relates to a significant risk but understand management's response.</p> <p>Management Expert</p> <p>We have evaluated the competency, objectivity of the scheme actuaries and have concluded the management expert is appropriately qualified and competent.</p> <p>Test of Details:</p> <p>Results of test of details were satisfactory. We challenged the initial Actuarial report which identified mathematical errors made by the Actuary, a further report was received which included the actual benefits paid which were amended in the Unaudited statements of Accounts.</p> <p>An unadjusted misstatement AM2 page 42 was identified.</p> |

Significant risks (continued)

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| SIGNIFICANT RISK | OUR RESPONSE | AUDIT CONCLUSION |
|--|--------------------------|---|
| <p>Retirement benefits – Gross Liabilities (continued)</p> <p>Continued...</p> <p>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.</p> <p><i>This represents a Key Audit Matter in the audit opinion.</i></p> | <p>See previous page</p> | <p>Continued...</p> <p>Benchmarking assumptions:</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"> — 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. — A further ruling in November 2020 was announced in regards to GMP equalisation. However, the actuaries have not accounted for due to inability and/or lack of data. — 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. <p>On 20 December 2018 the Court of Appeal ruled that transitional arrangements offered to some public sector pension scheme members amounted to unlawful discrimination. This related to new schemes set up in 2015 which typically meant older workers could stay in the existing, more generous schemes, while younger workers had to transfer to the new schemes.</p> <ul style="list-style-type: none"> — This ruling potentially gives rise to additional liabilities for local government pension schemes. — The Council's actuary has included a liability of £12.0 million in respect of McCloud in 2019-20. This has been carried forward to 31 March 2022. We consider the allowance continues to be appropriate. <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>Assessing transparency:</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

| Other area of audit focus | OUR RESPONSE | AUDIT CONCLUSION |
|--|---|---|
| <p>Capital expenditure</p> <p>The Council has a five year £1 billion capital plan which is focused around the city centre masterplan. This includes a budget of £153 million for 2021-22.</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 2021-22 include the AD 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>Control design:</p> <ul style="list-style-type: none"> — Testing the design, implementation and operating effectiveness of controls over the capital projects. — Testing the design, implementation and operating effectiveness of controls in respect of the review of costs allocated to capital and revenue projects. <p>Control re-performance:</p> <ul style="list-style-type: none"> — Comparing the total capital expenditure reported in the financial statements with that reported in reports to those charged with governance. <p>Tests of detail:</p> <ul style="list-style-type: none"> — Use of substantive sampling methods to evaluate the appropriateness of capital or revenue accounting classification by reference to supporting documentation. — Assessing a sample of items allocated to revenue expenditure to determine whether they are correctly classified. — Review and corroborate to supporting audit evidence of manual journals. | <p>Control design and re-performance:</p> <p>The controls tested were found to be effective.</p> <p>Tests of Detail:</p> <p>No exceptions were identified in the tests of detail, with supporting documentation available for each item sampled.</p> <p><i>We have concluded that the treatment of capital expenditure is satisfactory.</i></p> |

Other areas of audit focus

| Other area of audit focus | OUR RESPONSE | AUDIT CONCLUSION |
|--|--|--|
| <p>Covid-19 grant accounting</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.</p> <p>In 2021/22 the Council received additional grant funding of £45.307 million from the Scottish Government in relation to the Covid-19 pandemic. £27.350 million of this funding was treated as agency. The remaining £17.957 million was treated as principal.</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>Inquiry and understanding:</p> <ul style="list-style-type: none"> — Inquiring of Officers how the various grants are processed and controlled through the responsible departments. — Requesting management to provide a summary of schemes, their nature, volume and value of payments. <p>Tests of detail:</p> <ul style="list-style-type: none"> — Challenging the judgement of whether to account for various schemes with the Council as ‘agent’ or ‘principal’. — Assessing a sample of items awarded to determine whether grants or reliefs have been appropriately awarded and recorded in line with guidance issued — Assessing whether any accruals, provisions or prepayments have been appropriately made in respect of guidance and the 2021-22 Code. | <p>Management provided their analysis of £35 million of Covid-19 related grants processed during 2021-22.</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"> Whether the Council decided on the award criteria Whether the Council bears credit risk / cost Whether the Council receives an administration fee for processing the grants <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 Covid-19 related grants is satisfactory.</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 2021-22 financial statements and accounting estimates. We set out our view below:

| Subjective areas | 2020-21 | 2021-22 | Commentary |
|---|---------|---------|---|
| Council tax bad debt provisions £45.3 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: £118 million | 3 | 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 (2.8%) to be optimistic, the CPI inflation assumption (3.3%) to be balanced, and mortality – future improvements (CMI 2021 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 | Our findings over the valuation of Council dwellings, other land and buildings, surplus assets, and investment properties are discussed on page nine and ten. We did not identify any indications of management bias. |

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Level of prudence



Going concern

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 £1.43 billion (2020-21 £1.41 billion) as at the balance sheet date. Net assets increased on 2021-22 by £2 million, reflecting the total comprehensive income for the year.

During 2021-22, the Council set a net revenue expenditure budget of £578 million (being £483 million on the General Fund and £95 million on the Housing Revenue Account). The core outturn is a decrease of £1.81 million (being £1.31 million decrease on the General Fund and £0.5 million on the Housing Revenue Account).

Over the past few years there has been managed reduction in the overall cost base and further efficiency savings are incorporated into budgets. In March 2022 the Council approved savings for 2022-23 of £32.2 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 the ongoing impact of the pandemic, 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 or 2021-22 but the Council did exercise the deferral of debt flexibility the 2022-23 budget setting process.

The National Care Service consultation and bill may introduce a structural change for the near future which will impact future planning decisions.

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 the ongoing impact of the pandemic and challenged the income included in forecasts in respect of hotels, P&J Live and other major projects during our 2021-22 audit and understand these are updated to take account of the ongoing impact of the pandemic in the 2022-23 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 2020-21 during the pandemic and into 2021-22.

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 of 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.

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

Management reporting in financial statements

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

Management reporting in financial statements (continued)

| REPORT | SUMMARY OBSERVATIONS | AUDIT CONCLUSION |
|---|--|--|
| <p>Remuneration report</p> | <p>The remuneration report was included within the unaudited annual accounts and supporting reports and working papers were provided.</p> | <p>Following adjustments for audit differences, we are satisfied that the information contained within the remuneration report is consistent with the underlying records and the annual accounts and all required disclosures have been made.</p> <p>Our independent auditor's report confirms that the part of the remuneration report subject to audit has been properly prepared.</p> |
| <p>Annual governance statement</p> | <p>The statement for 2021-22 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 2020-21 which was reflected.</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 | We assessed materiality based on our knowledge and understanding of the charities' risk profile and annual accounts balances. Materiality was determined at 3% of total revenues. We considered and confirm our independence as auditor and our quality procedures, together with the objectivity of the audit director and audit staff. | Our audit of the charitable trusts is ongoing however at this stage there are no issues to report. |
| 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 expect to issue an unqualified opinion. |
| Integration Joint Board ('IJB') | A separate annual audit report is due to be presented to the Audit and Performance Systems committee of the Aberdeen City Integration Joint Board on 11 October 2022. One control deficiency identified around the declaration of interests for one council member. This deficiency does not have an impact on the figures disclosed in the financial statements. | We expect to issue an unqualified audit opinion for the IJB. |

New accounting standards

Future accounting and audit developments

IFRS 16

In April 2022, CIPFA/LASAAC agreed to delay the implementation of IFRS 16 *Leases* until the 2024-25 financial year as a result of delays in the publication of audited local authority statement in England. The standard removes the previous classifications of operating and finance leases for lessees (with exemptions for short-term and low value leases) and requires a right-of-use asset to be recognised, with a corresponding lease liability.

The Council is currently assessing the impact of the new standard and plans to adopt the standard for the 2024-2025 financial year.

Infrastructure Assets

Infrastructure assets are one of the few categories of property, plant and equipment assets measured at historical cost rather than at an asset measurement described as 'current value' by the CIPFA/LASAAC Code of Practice for Local Authority Accounting (the Code). On the move to capital accounting in 1994 it was decided that there was limited use for measuring the 'worth' of infrastructure assets in the same way as other assets in the balance sheet. At that time, infrastructure assets were brought on to the balance sheet at undischarged capital amounts (this was net of revenue contributions and capital receipts applied and grants and contributions received before 1 April 1994/1996), and this was described as (depreciated) historical cost.

Concerns were raised by local government auditors that some authorities are not applying component accounting requirements appropriately when there is replacement expenditure. The issue raised by auditors relates to subsequent expenditure on infrastructure assets and specifically on whether local authorities should be assessing if there is any undepreciated cost remaining in the balance sheet for the replaced components that needs to be derecognised when the subsequent expenditure is incurred. This has led to issues relating to the reporting of gross historical cost and accumulated depreciation as elements of depreciated historical cost.

Due to the restricted timeline, an approach to deal with this issue could not be agreed and the Scottish Government has agreed to permit a temporary statutory override to the Code in order to address these issues.

A local authority may choose to only apply one of the two statutory overrides or to apply both statutory overrides.

Infrastructure Assets (continued)

Statutory Override 1: This statutory override permits that, for accounting periods commencing from 1 April 2021 until 31 March 2024, a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.

Statutory Override 2: This statutory override requires that, for the periods from 1 April 2010 to 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is a nil amount, and no subsequent adjustment shall be made to the carrying amount of the asset with respect to that part. This is required on the basis that parts of infrastructure assets are rarely replaced before the part has been fully consumed and should therefore, in most cases, be fully depreciated at the date of replacement.

The statutory overrides permitted within this guidance are time limited for the periods from 1 April 2010 to 31 March 2024.

The Council has elected to utilise both overrides. The Council, like others, needs to consider the approach to future recording and componentisation of Infrastructure assets in order to comply with the underlying requirements of the Code.

Recommendation one page 42

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.

Significant accounting estimates relate to the present value of defined benefit obligations and valuation of non-current assets. For defined benefit obligations, the estimate is calculated under IAS 19 (as calculated by the Council's actuary, Mercer using agreed financial assumptions). With the assistance of our internal actuarial specialists we found the assumptions and accounting for pensions to be appropriate (page 51). Non-current asset impairment is considered by the Council's valuation team and a 5-year rolling programme of revaluations is in place. We used our internal valuation specialists to assess the assumptions used in these revaluations. We did not identify indications of management bias.

Financial statement disclosures were considered against requirements of the CIPFA Code, relevant legislation and IFRS. No departures from these requirements were identified.

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 2021. 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.

2021-22 financial performance

The Comprehensive Income and Expenditure Statement shows a deficit on the provision of services of £85.5 million for the year to 31 March 2022. The deficit includes various accounting adjustments as required by the CIPFA code, such as in respect of actuarial movements and revaluation of property, plant and equipment. Excluding these adjustments and taking account of reserve movements, the Council reported a surplus of £8.8 million, being £0.5 million in respect of the General Fund, £0.5 million in respect of the Housing Revenue Account and £7.8 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 £30.4 million. This budget was set with the Covid-19 in mind as 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 £0.5 million General Fund underspend represents around 0.09% of the net services expenditure, this has been achieved by appropriate financial management during the pandemic.

Financial headlines



(Source: audited annual accounts)

Financial management (continued)

2021-22 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 HRA has a £44.7 million overspend on the provision of services reported for 2021-22. However this is adjusted for impact of revaluation, depreciation and impairments and capital funding and overall the HRA recorded an overall increase of reserves of £0.5m leaving closing HRA reserves of £15.2 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 2021-22 £1.31 million underspend for general fund budget as per the quarterly financial reporting is set out below, with the full

| Forecast outturn (£000) | Q1 | Q2 | Q3 | Q4 |
|--------------------------|------|------|-----|-------|
| (Underspend) / overspend | 13.6 | 12.8 | 7.4 | (1.3) |

The increase in the HRA is as a result of the operational surplus achieved in the year. 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

During 2020-21 the Council agreed a revised capital budget of £254m the Total spend during the year was £124m with the continued impact of Covid-19 pandemic and additional pressures caused by the shortages of products and raw materials in the Construction Industry impacting the ability of the Council to complete its construction plans. The impact of this shortfall in spend is a lower borrowing requirement and amendments into the 2022-23 capital plans.

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

2022-23 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 7 March 2022 the Council approved a detailed revenue budget for 2022-23 and a five year high-level budget to 2026-27. The Council also approved a five year capital budget of £623million, in addition to a housing investment program over the same period of £512 million.

This budget and medium term strategy 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.

The delivery of the medium term strategy is dependent on recurring impact of the recommissioning decisions to be taken in 2022-23 saving £30.5m from the recurring budget.

We consider that the budgeting process is robust, and is supported by regular monitoring as noted opposite.

In addition to the recurring savings identified in 2022-23 there will be further savings needed to balance the budget over the medium term which totals £84m by 2026-27.

A new Medium term financial strategy was agreed in August 2022 following the publication of the Scottish Governments' resource spending review.



Financial management (continued)

Accounts and audit process

In 2021-22 the Council revised its accounts timetable, with draft annual accounts issued to the Audit, Risk and Scrutiny Committee (ARSC) on 30 June 2022, and the audit commenced in Early May. In order to facilitate approval of the annual accounts by the end of September 2022, the subsidiary and associate entities also delivered to an agreed timetable. The statutory deadline for signed annual accounts was 30 September 2022 however due to Covid-19 the statutory deadline for signed annual accounts has been extended to 30 November as in prior year. The Council does not intend to make use of the extension.

The ARSC meeting at which the unaudited annual accounts were considered was on 30 June 2022, compared to 12 May 2021 for the 2020-21 annual accounts. However with the impact of the 2022 Council elections it was agreed to delay this meeting until 30 June.

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 2021-22 includes assessment of various Covid-19 related grants.

The accounts process for 2021-22 was delayed at the start, due to Covid-19 illness the finance team were slightly behind their planned timetable. The audit required additional external valuations to confirm values ready for the financial statements this timing meant that adjustments made to the financial statements was completed late into the audit, the requests for these valuations could have been made to meet an earlier deadline.

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 2021-22 we challenged management over the classification of the TECA energy centre and the AD Plant, following this challenge management reassessed these assets and decided that these were classified as Specialised Operational Assets and not as Investment Properties. Following this reassessment the Council commissioned an external valuer to provide the valuation of these properties. Although the treatment of these assets is appropriate this led to late production of updated valuations significantly into the audit period.

We consider that the Council performed well to achieve the 30 September 2022 audit annual accounts timetable. There is a continued high level of oversight and review which has continued throughout 2021-22.

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

| Readiness overview | 2020-21 | 2021-22 |
|--------------------------|---------|---------|
| Preparation and planning | H | M |
| Production of accounts | H | H |
| Oversight and review | H | H |
| Significant judgements | L | M |
| Supporting information | H | H |

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

Internal control

We consider that the Council has a generally robust control environment. We tested the operating effective controls within certain financial processes, where reliance upon them enabled an efficient testing approach. Four control deficiencies were identified (of which two was recommended in prior year) from the testing of:

- HRA stock reconciliation.
- Revaluation review.
- Review of pension assumption rate of return check.
- Infrastructure assets.

Details can be found in Appendix 4

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.
- 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 2021-22 audit.

Prior year recommendations continue to be implemented. In addition new recommendations have been raised. The current status and action plan is shown on page 42 onwards.



Financial management (continued)

Audit Scotland Matter of Focus: Fraud and Corruption in Procurement

The Council approved a refreshed Counter Fraud Policy on 24th February 2021 with an implementation date of 1st April 2021 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 e.g. whistle blower, 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 2020-21* report highlighted that the Covid-19 pandemic continued to impact councils and their funding. While there was an underlying increase in government funding over half was due to specific grants. There remains uncertainty over future 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, 2020/21 and 2021/22). 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 7 March 2022. The budget report set out the general fund revenue and capital budgets for 2022-23, together with the general fund revenue budget for 2023-27. The revenue budget showed the need to make savings in 2022-23 of £30.9 million. The savings identified within the report were the impact of recommissioning services in 2022-23.

General Fund revenue budget and benefits realisation

The medium term strategy agreed by Council on 7 March 2022 identified a need to make savings, 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 2022/23 is £11.5 million. However If no additional action were taken by the Council then useable reserves of £84 million would be required to support current services, which is not available or sustainable.

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

| General Fund revenue budget | 2022-23 £000 | 2023-24 £000 | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net service expenditure | 533,432 | 556,374 | 573,142 | 589,662 | 604,360 |
| Funding | (501,192) | (497,610) | (494,080) | (490,600) | (486,635) |
| Deficit | 28,151 | 50,383 | 66,214 | 81,563 | 95,406 |
| 2022-23 Recommissioning savings | (30,922) | (11,500) | (11,500) | (11,500) | (11,500) |
| Annual Revenue Gap | (2,771) | 38,883 | 54,714 | 70,063 | 83,906 |

(Source: 7 March 2022 – Council report and management update)

Financial sustainability (continued)

Savings plans to deliver the 2022-23 balanced budget.

The Council is transparent about the level of savings required in 2022-23 and over the medium term. Savings are required from the impact of recommissioning services. There is a plan to deliver these savings and this was approved at the budget setting meeting.

A Transformation Fund of £4.4 million is held as at 31 March 2022, in addition the Council is holding £7.3 million of reserves planned to be used in 2022-23 to support services.

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 £30.9 million and does not have a significant unidentified savings target.

Use of reserves

The Council has built up general fund reserves during 2021-22, with an increase of £0.55m to reserves of £72.2m. 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 2022 the Council had uncommitted general fund reserves of £12 million which equates to 2.1% of Net Cost of Services of £566 million (2.3% as at 31 March 2021). 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, and the increasing levels of inflation especially in energy. Also the supply chain volatility risks, reported by management to June 2022 CG&R committee.

| General Fund Reserves | 31 March 2021 £000 | Increase /(Utilisation) £000 | 31 March 2022 £000 |
|------------------------------------|-----------------------|------------------------------------|-----------------------|
| Transformation Fund | 2,479 | 1,954 | 4,433 |
| Second/Long Term Empty Homes | 14,660 | (1,550) | 13,110 |
| Covid-19 earmarked reserves | 33,633 | (14,617) | 19,016 |
| Uncommitted General Fund Reserve | 12,519 | (519) | 12,000 |
| Support and Guarantees | 3,614 | 2,000 | 5,614 |
| Budget 22/23 Use of Reserves | 0 | 7,309 | 7,309 |
| Other Earmarked reserves | 4,698 | 5,972 | 10,670 |
| Total General Fund Reserves | 71,603 | 549 | 72,152 |

Financial sustainability (continued)

Cash and Short Term Investments (Liquidity)

| Liquidity | 31 March 2021 £000 | 31 March 2022 £000 | Movement £000 |
|---------------------------|-----------------------|-----------------------|------------------|
| Cash and cash equivalents | 119,699 | 102,593 | (17,106) |
| Short term investments | 40,277 | 20,025 | (20,252) |
| Short term borrowing | (232,391) | (223,359) | 9,032 |
| Current liquidity | (72,415) | (100,741) | (28,326) |

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 0.55:1 (0.69:1 in 2020-21), 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.

During 2021-22 the Financial Resilience Framework was developed and is included as part of the MTFS, and highlights areas such as liquidity and provides opportunity to monitor and base decisions on a deeper understanding of the Council's financial position.

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 28 January 2022, 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. This was updated in August 2022 following further clarification and is supported by the Financial Resilience Framework.

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

The Council considered a report on the Target Operating Model 2 reiterating and developing the transformation of the council and multi-agency working that will lead to achievement of savings in the future.

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.

Council Elections

In May 2022 there was a full Council election, the results led to a change in the administration, with the new administration being a partnership between the Scottish National Party and the Scottish Liberal Democrats

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 of fraud and error

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

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

Annual Governance Statement

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

We 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 last submitted received matches for investigation during January 2021, to identify potential frauds or errors. The next submission is due to take place in January 2023 to meet the deadline of September 2023.

Risk management

During 2021-22, 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 transactions.



Governance and transparency

Local Area Network ('LAN')

KPMG chaired a meeting of the LAN on 9 May 2022, 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 2021-22 was agreed by the Audit, Risk and Scrutiny Committee on 24 February 2021 and amended as agreed by the Audit, Risk and Scrutiny Committee on 12 May 2021, and the Audit, Risk and Scrutiny Committee of 2 December 2021. This reflected the advent of COVID and the impact this had on the ability to complete the Plan. Only 6 audits contained in the 2021-22 plan were completed by the end of the year along with 13 relating to 2020/21. A further 11 from the 2021-22 plan were in progress along with 2 relating to 2020/21. 5 audits in the 2021-22 plan were deferred to future years.

The volume of work completed during 2021/22 is greater than previous year, catching up on the 2020-21 programme impacted by Covid19 supported by the increased capacity of the Internal Audit team.

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 2022."

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 17 as at 31 March 2022 this is a decrease during 2022 compared to 37 as at 31 March 2021 and comparable to 39 as at 31 March 2020.

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.

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 2021-22 it has continued development of risk management arrangements, self assessment of governance, committee effectiveness and review of policies.

Revisions 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 in 2020-21, we repeat and 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 five years, the council has successfully delivered savings and has met 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 six 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







Required communications with the Audit, Risk and Scrutiny Committee

| Type | Response |
|--|--|
| Our draft management representation letter |  We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2022. |
| Adjusted audit differences |  There were seven adjusted audit differences. See appendix three. |
| Unadjusted audit differences |  There are two unadjusted differences: related to expenditure cut-off and pensions. 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 8 to 13) arising from the audit were discussed, or subject to correspondence, with management. |

Additional report relating to EU Public Interest Entities

| Type | Response |
|---|---|
| Our declaration of independence |  No matters to report. The engagement team has complied with relevant ethical requirements regarding independence. |
| Key audit partner(s) |  We have identified each key audit partner at page 3 in our Audit Strategy report dated 22 February 2022. |
| Independence of external experts engaged by KPMG and non-KPMG auditors |  We have not engaged external experts or engaged non-KPMG auditors for the performance of aspects of our group audit. |
| Communications with audit committee and management |  We have described the nature, frequency and extent of communication with the ARSC and management in our Audit Strategy report dated 22 February 2022. |
| Scope and timing of the audit |  We have described the scope and timing of the audit in our Audit Strategy report dated 22 February 2022. |
| Audit methodology |  Our audit methodology is described at page 5 and 6 in this report. |
| Valuation methods |  On page 10 to 11 (and in the accounting policies of the annual accounts), we report the valuation methods applied to the items in the financial statements and the impact of any changes. |
| Going concern assessment |  There are no significant matters affecting the entity's ability to continue as a going concern. |
| Requested explanations and documents |  No matters to report. All requested explanations and documents were provided by management. |

| Type | Response |
|---|--|
| Materiality |  Quantitative materiality applied to the audit of the financial statements as a whole and materiality for balances/disclosures affected by qualitative factors is set out in our Audit Strategy report dated 22 February 2022. |
| Non-compliance with laws and regulation or articles of association |  No actual or suspected non-compliance with laws and regulation or articles of association were identified during the audit. |
| Significant deficiencies in internal control |  There are no significant deficiencies to report in this report or our report dated 22 February 2022. |
| Significant difficulties |  No significant difficulties were encountered during the audit. The significant matters (pages 7 to 21) arising from the audit were discussed, or subject to correspondence, with management. In our professional judgment, no matters arose from the audit that were significant to the oversight of the financial reporting process. |
| Non-KPMG component auditors |  We did not rely on the work of any non-KPMG component auditors in 2021-22. |
| Management's approach to consolidation |  We report on management's approach to consolidation on page 20. It is consistent with the Code. The consolidated financial statements include all material subsidiaries. |
| Independence – Relationships and audit fees |  No relationships have been identified between the firm, and the entity that, in our professional judgement, may reasonably be thought to bear on independence. We received £273,730 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 2022 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 2022 can be analysed as follows: | 2021-22 continuing (inc VAT) £ | 2020-21 (inc VAT) £ |
|--|---|---------------------------|
| Audit of the Council’s financial statements | 263,730 | 264,230 |
| Audit of subsidiaries (Aberdeen City Council Charitable Trusts) | 10,000 | 9,000 |
| Total audit services | 273,730 | 273,230 |
| Non-audit services | - | - |
| Total | 273,730 | 273,230 |

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.

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 paid £177,690 to Council in the year ended 31 March 2022, 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 presentational audit adjustments made to the Statements of Accounts between the final version and the unaudited statements of accounts and remuneration report approved on 30 June 2022.

| Adj | Nature of adjustment |
|-----|--|
| 1 | Exit Banding Categorisation: A small number of changes were made to the detail in the banding disclosures. |
| 2 | Remuneration report: A number of small presentational adjustments were made to the remuneration report following the audit procedures.. |

Audit differences - adjusted (continued)

The following table is a list of the adjustments that have been made to the unaudited draft Statements of Accounts approved in June 2022, the Council will in their report discuss these adjustments explaining how these were identified.

| Adj | Nature of adjustment (ACC Only) | Balance sheet | | Income and expenditure account | |
|-----|--|---------------|----------|--------------------------------|----------|
| | | £'000 DR | £'000 CR | £'000 DR | £'000 CR |
| 1 | Assets under construction | | 1,684 | | |
| | Operational assets (Other land and Buildings) | 1,684 | | | |
| | Classification error in Property, Plant and Equipment The Duthie Park ELC project was completed and the ownership of the asset was transferred to Aberdeen City Council in January 2022. However, it was still incorrectly held in assets under construction as at 31 st March 2022. | | | | |
| 2 | Investment properties | | 62,862 | | |
| | Operational assets (Other land and buildings) | 62,862 | | | |
| | Reclassification of asset type of the Energy Centre and AD Plant at TECA In line with the audit recommendation and challenge, management continued to assess the categorisation, basis of valuation and value of TECA components as they complete and/or come into use. As a result, the Energy Centre was reclassified from Investment Property to Operational Assets. On completion in year the AD plant was classified as operational. Both were subject to valuation on a DRC basis. | | | | |
| 3 | Impairment | | | 21,056 | |
| | Property, Plant and Equipment | | 21,056 | | |
| | Valuation change for the Energy Centre and AD Plant at TECA Following the reclassification of the Energy Centre and AD Plant from investment properties to operational asset, the council is required to post an adjustment for impairment for the decrease in valuation from the value at cost to value at DRC. | | | | |
| 4 | Revaluation Reserve | 28,819 | | | |
| | Property, Plant and Equipment | | 37,327 | | |
| | Impairment | | | 8,508 | |
| | Valuation of schools In line with the audit recommendation and challenge, management identified the need for an updated valuation for the schools as the DRC cost of the assets not being valued differed significantly to the value from the desktop valuation. Following the valuation, the council is required to post an adjustment for the increase/decrease in the valuation of the schools. | | | | |

Audit differences - adjusted (continued)

| Adj | Nature of adjustment (Group only) | Balance sheet | | Income and expenditure account | |
|-----|--|---------------|----------|--------------------------------|----------|
| | | £'000 DR | £'000 CR | £'000 DR | £'000 CR |
| 5 | Group Pension Assets | | 614 | | |
| | Group Pension Liabilities | 614 | | | |
| | Overstatement over Group Pension Liabilities and Group Pension Assets due to the underestimate of the benefits paid to pensioners at Bon Accord Care Limited in Actuary report. | | | | |
| 6 | Dr CIES (Impairment) | | | 4,233 | |
| | Cr Investment Properties | | 4,233 | | |
| | Following review of Investment Properties between Nov 21 and Mar 22 the valuation of Investment properties were impaired. | | | | |
| 7 | Dr Revaluation Reserve Dr CIES (Impairment) | 1,391 | | 1,431 | |
| | Cr Investment Properties | | 2,822 | | |
| | Being a review of the valuation of Cowdry Hall leading to an impairment of the value of the Investment Property | | | | |

Audit differences -unadjusted

The table below lists the unadjusted audit differences identified during the course of our 2021-22 audit procedures. These adjustments are not considered material individually or in total. A number of items relate to reclassification between non tangible asset categories in particular which we do not consider material.

The net I&E income is CR £1,158k.

| Adj | Unadjusted Misstatements (Income and Expenditure impact) | Balance sheet | | Income and expenditure account | |
|-----|---|---------------|----------|--------------------------------|----------|
| | | £'000 DR | £'000 CR | £'000 DR | £'000 CR |
| 1 | Accruals (31.3.2022) | | 1,158 | | |
| | Expenditure (2021-22) | | | 1,158 | |
| | <i>Understatement of expenditure: Cut off testing identified expenditure paid in 2022-23 which should have been accrued into 2021-22 which had not been accrued at 31 March 2022, thus understating 2021-22 expenditure and accruals</i> | | | | |
| 2 | Pension Assets | | 1,562 | | |
| | Pension Liabilities | 1,562 | | | |
| | <i>Understatement of the Defined Benefit Gross Liabilities and Gross Assets due to over estimation of benefits paid v actual benefits paid leading to an understatement of the Pension Liabilities and Pension Assets.</i> | | | | |

2021-22 recommendations

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

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| Finding(s) and risk(s) | Recommendation | Agreed management actions / audit update 2021-22 |
|---|--|---|
| <p>1. Infrastructure Assets</p> <p><i>Audit dimensions: financial management</i></p> | | <p>Grade one</p> |
| <p>In August 2022, Audit Scotland issued updated guidance in regards to the accounting of Infrastructure assets. It stated that infrastructure Assets are held at depreciated cost, and what has been happening is that additional spend on roads has simply been added to the existing Cost less Depreciation, and the various Councils have not been able to provide / demonstrate that where assets are “replacing” (i.e. a new road surface) that the NBV of the initial road surface was removed / disposed off.</p> <p>As part of the guidance, councils which did not meet this requirement utilised two statutory overrides.</p> <p>Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.</p> <p>Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is required to be a nil amount, and no subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.</p> <p>Aberdeen City Council had to use both statutory overrides to ensure compliance with the updated guidance. KPMG considers the use of the overrides to constitute to a control weakness.</p> | <p>We recommend that should Management wish to meet this requirement they will need to carry out a retrospective review of the methodology used to account for the infrastructure assets and update the methodology accordingly to ensure compliance with the guidance.</p> <p>This weakness did not impact upon our planned audit approach.</p> | <p>Management Response:</p> <p>The Council will review the arrangements in place when subsequent guidance is produced, by Audit Scotland and or CIPFA LASAAC, and update these arrangements in line with the guidance.</p> |
| <p>2. HRA stock reconciliation not reviewed</p> <p><i>Audit dimensions: financial management</i></p> | | <p>Grade three</p> |
| <p>Although the reconciliation has been accurately prepared, there is no audit trail to ensure that the reconciliation has been performed in a timely manner or whether it has been prepared or reviewed by an appropriate person. As we are unable to assess these elements, we have raised a control deficiency.</p> | <p>We recommend that should Management wish to meet this requirement they will need to carry out a include sign off on the reconciliation sheet to evidence appropriate and timely review of the HRA stock reconciliation.</p> | <p>Management Response:</p> <p>Agreed: A control will be added to the reconciliation process.</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 2020-21, 2019-20, 2018-19, 2017-18 and 2016-17 audits and their current status.

| Year | Number of recommendations | Fully Implemented | In progress at September 2022 |
|---------|---------------------------|-------------------|-------------------------------|
| 2020-21 | 3 | 1 | 2 |
| 2018-19 | 4 | 4 | 0 |
| 2016-17 | 1 | 0 | 1 |

| Finding(s) and risk(s) | Recommendation | Agreed management actions / audit update |
|--|---|---|
| 1. Revaluation review not sufficiently precise <i>Audit dimensions: financial management – Accounts preparation</i> | | Grade two |
| <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> | <p>Based on the current controls in place management are content with the current arrangements.</p> <p>We continue to make this recommendation as it relates to a significant risk but understand management's response.</p> |

Prior year recommendations (2020-21)

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| | | |
|--|--|---|
| <p>2. Depreciation of assets where additions are grouped</p> <p><i>Audit dimensions: financial management</i></p> | | <p>Grade three</p> |
| <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> | <p>Implemented</p> |
| <p>3. Management Review of Pension Assumptions</p> <p><i>Audit dimensions: financial management – Accounts preparation</i></p> | | <p>Grade two</p> |
| <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>Based on the current controls in place management are content with the current arrangements.</p> <p>We continue to make this recommendation as it relates to a significant risk but understand management's response.</p> |

Prior year recommendations (continued) 2018-19

| Finding(s) and risk(s) | Recommendation | Agreed management actions / update 2019-20 |
|---|--|---|
| <p>1. Regular user access appropriateness review</p> <p><i>Audit dimensions: governance and transparency</i></p> | | <p>Grade one</p> |
| <p>There is no regular review performed of user access to determine if the access is appropriate for active business users on the AIRS and Infosmart application, database and operating system (including privileged user access).</p> <p>User access is reviewed for the Oracle e-Financials and the Orbis Northgate applications, but the review does not establish if the user access assigned is appropriate for an individual's current role.</p> <p>Risk:</p> <p>Where user access is not reviewed on a regular basis, the risk is increased that individuals may gain or retain unauthorised access rights that are not needed for their business role. This can lead to controls and segregation of duties being by-passed, leading to erroneous or fraudulent transactions being processed.</p> | <ul style="list-style-type: none"> — Management should perform a periodic review of user access assigned to ensure that this is appropriate at the application, database and operating system level. — This should include an assessment of user access across the production, development and test environments to ensure appropriate segregation of duties exist. — Where inappropriate access is identified, this should be investigated and removed in a timely manner. — The review should be formal, documented and retained as evidence for audit purposes. | <p>Original response: Agreed. Digital and Technology will lead on the implementation of this action, in conjunction with system owners to ensure consistency across all systems.</p> <p>Implementation date: 31 August 2018</p> <p>Responsible officer: Incident & Problem Co-ordinator, in conjunction with System Owners.</p> <p>Status update 2018-19: In progress.</p> <p>Whilst an email was circulated to all system owners within the Council advising them to remove any users who no longer required access to the system, this did not constitute a formal, documented and evidenced review suitable for audit purposes. We further note that this review appeared to be a one-off exercise, as opposed to periodic business-as-usual activity (e.g. quarterly user recertification).</p> <p>We note that the review did not consider the level of user access across environments to ensure appropriate segregation of duties between these environments. As the review was not formal in nature, there was no evidence of inappropriate access being further investigated and removed in a timely manner.</p> <p>Status update 2019-20: An ICT Access Control policy has been established. It includes appropriate principles regarding starters, leavers and amendments to user access. While it further reduces risk, it is not clear how access will be reviewed as recommended opposite.</p> <p>Status update 2020-21:</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> <p>Status update 2021-22</p> <p>Management consider this now complete.</p> |

Prior year recommendations (continued) 2018-19

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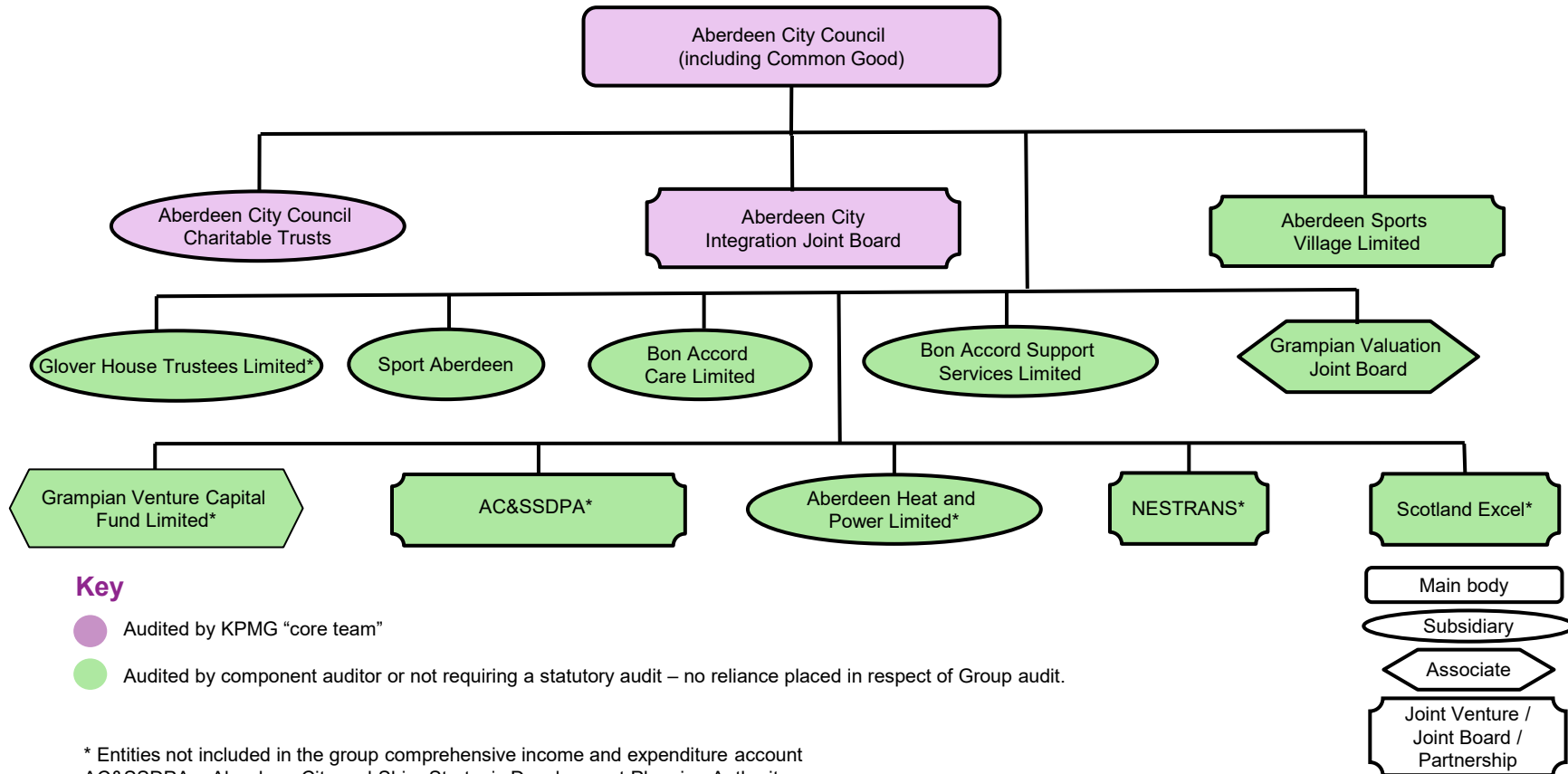
| Finding(s) and risk(s) | Recommendation | Agreed management actions / update 2019-20 |
|---|---|---|
| <p>2. Assignment of highly privileged access and monitoring of access</p> <p><i>Audit dimensions: governance and transparency</i></p> | | <p>Grade one</p> |
| <p>Certain IT and business staff are assigned highly privileged access to the Council's IT systems (Oracle e-Financials, Orbis Northgate and Airs), required to perform user administration activities (e.g. assigning and changing user access rights), system development and configuration, and to ensure ongoing support and maintenance activities.</p> <p>We note that the Council does not monitor the activities performed by these accounts; security and event log auditing is either not enabled or not reviewed. For the purpose of relying on system generated reports for the external audit, we could not establish if the activities performed by these users were appropriate during the year . The weaknesses in the access assigned includes:</p> <ul style="list-style-type: none"> — The privileged access assigned allows users within the business to perform activities that should be segregated and/or pro-actively logged and reviewed to ensure appropriate; and — The Oracle e-Financials and Orbis Northgate system administrators within the business can make direct changes to the data within the underlying database and bypass system controls (not logged); and — A shared system administrator account is used for Airs by two members of business staff (not logged). — Risk: - Where privileged user access is not robustly controlled the risk is increased that: <ul style="list-style-type: none"> — unauthorised access is gained to process erroneous or fraudulent transactions, make changes to data, and system settings; — unauthorised changes are not detected and appropriate action taken; — IT / operational system downtime is experienced; and — the system does not function as intended by management. | <p>Management should ensure that:</p> <ul style="list-style-type: none"> — A formal, documented and agreed policy is established that guides the Council's management of highly privileged access. — The sharing of the user accounts is investigated, risk assessed and the root cause is understood. — User accounts are only used by the approved and appropriate persons. — Each time the highly privileged accounts are used there should be a requirement that a supporting and approved incident ticket or change request is logged and retained. — The feasibility of implementing system audit logging for these highly privileged accounts is assessed, and if this is possible, a periodic review is performed over a sample of higher risk activity to ensure this was authorised and appropriate. — The logs are secured and retained in a segregated area that cannot be accessed by the users of the IT systems. | <p>Original response: Agreed. Digital and Technology will lead on the implementation of this action, in conjunction with system owners to ensure consistency across all systems.</p> <p>Implementation date: 31 August 2018</p> <p>Responsible officer: Incident & Problem Co-ordinator, in conjunction with System Owners</p> <p>Status update 2018-19: In progress.</p> <p>Whilst a formal policy has been established to manage the Council's use of highly privileged access (as part of the overarching ICT Access Control Policy), there is scope for improvement in the day-to-day management of how these accounts are used.</p> <p>We note that there is currently no requirement to raise an incident or change ticket for each use of a privileged account, and we were not provided with any evidence of root cause analysis or restriction of privileged account sharing for AIRS.</p> <p>We note that audit logging is enabled for Orbis Northgate, eFinancials and Infosmart and the logs are securely stored in a segregated area , but regular reviews of these logs are not currently carried out.</p> <p>Status update 2019-20: An ICT Access Control policy has been established. It includes appropriate principles and sets expectations of users and system owners in respect of highly privileged access and logging. While it further reduces risk, it is not clear how access will be reviewed as recommended opposite.</p> <p>Status update 2020-21: Finalisation of outstanding actions is to be escalated and overseen by the Risk Board to ensure completion during 2021/22.</p> <p>Status update 2021-22</p> <p>Management consider this now complete</p> |

Prior year recommendations (continued)

2016-17

| Finding(s) and risk(s) | Recommendation | Agreed management actions / audit update 2019-20 |
|---|--|---|
| 1. Complex accounting treatments <i>Audit dimensions: financial management</i> | | Grade two |
| <p>Accounting for the bond issuance is complex and involves the calculation of an effective interest rate based on future forecast cashflows. Transactions for the bond were not included in the draft accounts, and were not agreed until late in the process.</p> <p>The Council has a number of ongoing projects which will have similar complex accounting treatments. There is a potential risk that accounts may contain significant errors or be delayed if complex accounting treatments are not agreed early or adequately documented.</p> | <p>For future complex financial transactions we recommend that management considers the accounting implications prior to the transaction taking place, and provide an accounting paper before the year end, to ensure these transactions can be agreed and incorporated into the draft financial statements.</p> <p>Status update 2017-18: In progress.</p> <p>While documentation was enhanced in respect of some areas, including bond accounting and preparation of a technical analysis in respect of lease classification of Marischal Square, there is scope for further improvement.</p> | <p>Responsible officer: Senior Accountant.</p> <p>Status update 2018-19: In progress.</p> <p>There is evidence of review of complex areas of accounting, generally without exceptions being identified. However, a material misstatement was identified during the audit in respect of accounting for Lochside Academy. It is recommended that for material complex arrangements, an accounting paper is prepared by Finance and is subject to senior officer review.</p> <p>2019-20 Update:</p> <p>The review of the work around bringing the TECA site from Assets under Construction into operational and investment properties provided further evidence that the accounting paper and senior officer review had not taken place, and so the recommendation still stands.</p> <p>Status update 2020-21 (in progress):</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>2021-22 update</p> <p>In other aspects including accounting for Fixed Assets there remains scope for greater consideration of complex accounting areas in advance of the audit.</p> |

Group financial statements



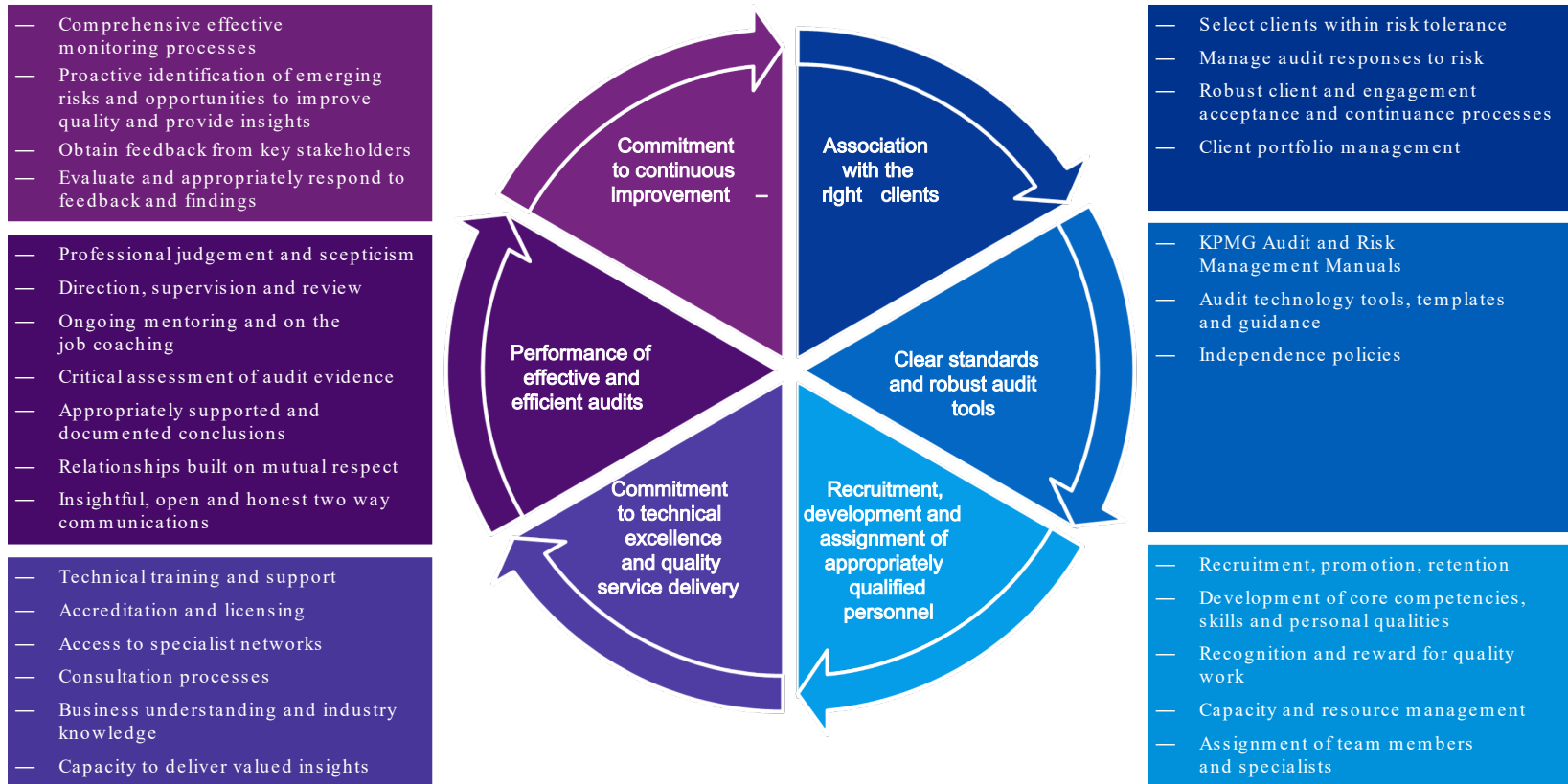
Appointed auditor's responsibilities

| 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 6 summarises the opinions we currently expect to issue.</p> <p>Pages 18 and 19 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 31 includes arrangements to cooperate and coordinate with other scrutiny bodies. |
| Wider audit dimensions | <p>Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':</p> <ul style="list-style-type: none"> - Effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets; - Suitability and effectiveness of corporate governance arrangements; - Financial position and arrangements for securing financial sustainability; - Effectiveness of arrangements to achieve best value; and - Suitability of arrangements for preparing and publishing statutory performance information | We set out our conclusions on wider scope and best value in from page 22 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



Pension assumption benchmarking



| Overall assessment of assumptions for IAS 19 for audit consideration | | | | | | | |
|---|---|---|------------------------------------|--|--|----------------------------|-------------------------|
| The overall assumptions adopted by the Employer are considered to be balanced relative to our central rates and within our normally acceptable range overall. | | | | | | | Balanced |
| 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 | ✓ | align="center">✓ | 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 | | align="center">✓ |
| | 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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ABERDEEN CITY COUNCIL

| | |
|---------------------------|---------------------------------|
| COMMITTEE | Audit Risk & Scrutiny Committee |
| DATE | 27 September 2022 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Audited Annual Accounts 2021/22 |
| REPORT NUMBER | RES/22/210 |
| DIRECTOR | Steven Whyte |
| CHIEF OFFICER | Jonathan Belford |
| REPORT AUTHOR | Lesley Fullerton |
| TERMS OF REFERENCE | 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 2021/22 audited Annual Accounts.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 approve the Council's audited Annual Accounts for the financial year 2021/22 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 note that the presentation of the audited Annual Accounts 2020/21 for those registered charities where the Council is the sole trustee has been deferred until the next meeting of this committee on 15 December 2022.

3. CURRENT SITUATION

- 3.1.1 On 2 December 2021 the Audit Risk and Scrutiny Committee received and noted the contents of a report, "Annual Accounts 2021/22 – Action Plan" which provided high level information and key dates in relation to the production of the 2021/22 Annual Accounts.
- 3.1.2 The key dates were subsequently amended as a result of local council elections and revised dates were advised in the committee report presented to this committee on 30 June 2022. The dates contained within the above report were:

-

| Date(s) | Description |
|---------------------|---|
| 31-Mar-22 | End of the financial year 2021/22 |
| Jan – June 2022 | Information from Group Entities (including ALEO's) |
| 01-Jun-22 | Public Notice for the Public Inspection period to be issued |
| 30-Jun-22 | Signing of unaudited Annual Accounts by the Proper Officer |
| 30-Jun-22 | Submission of Unaudited Annual Accounts to auditors |
| 30 June- 21 July 22 | Public Inspection Period for the unaudited Annual Accounts |
| 30-Jun-22 | unaudited financial statements and audit update paper on key risks will be presented to the Audit, Risk & Scrutiny Committee |
| 30-Jun-22 | 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 |
| 27-Sep-22 | Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader. |
| 27-Sep-22 | Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature |
| 31-Oct-22 | Statutory deadline for completion of audit (extended for 2022) |
| 30-Nov-22 | Statutory deadline for local authorities to approve Annual Accounts (for 2022 only) |
| 15-Dec-22 | Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies (extended for 2022) |
| 31-Dec-22 | Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR |

3.1.3 On 30 June 2022 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 30 June – 21 July 2022.

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 21 June 2022. 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 2022.

3.2.3 KPMG, the Council's external auditors, have now completed their audit and the Committee will note their findings from the report, which was an earlier item on

this Committee's agenda. The auditor has indicated that it will provide the Council with an unqualified audit opinion, and this will be incorporated into the Annual Accounts document, attached as Appendix A before publication.

- 3.2.4 In addition to those adjustments identified by the audit, the Council undertook to incorporate changes that were identified as part of the annual valuation review for Property, Plant and Equipment and Investment Properties. This was to comply with accounting standards. Revised reports were received from the Council's valuers, and this resulted in a net increase of £26m to Property, Plant & Equipment, and a net decrease of £4m to Investment Properties. This did not affect the Council's Usable Reserves.
- 3.2.5 The group accounts have been amended to reflect all appropriate adjustments as well as any changes arising from the audit of other group entities.
- 3.2.6 These adjustments do not affect the overall financial position of the Council as reported to City Growth and Resources Committee on 21 June 2022.
- 3.2.8 The statutory deadline for local authority financial statements to be audited and submitted to the appropriate committee is normally 30 September, with this being extended to 30 November this year in response to the impact of the Covid-19 pandemic. The deadline for publication of the audited accounts is 15 December 2022.

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.
- 3.3.3 The audited Annual Accounts for the Council's Charitable Trusts will be presented to this Committee on 15 December 2022.

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. ENVIRONMENTAL IMPLICATIONS

There are no direct environmental implications arising from the recommendations of this report.

7. RISK

| Category | Risks | Primary Controls/Control Actions to achieve Target Risk Level | *Target Risk Level (L, M or H) *taking into account controls/control actions | *Does Target Risk Level Match Appetite Set? |
|-----------------------|--|--|---|---|
| Strategic Risk | None | n/a | n/a | n/a |
| Compliance | Risk of legislation not being followed | Staff working with external audit to ensure compliance with legislation | L | Yes |
| Operational | There is the risk that technological issues may prevent the Council from preparing the annual accounts | Staff working with IT ensuring that correct processes are in place to prevent technological disruption | L | Yes |
| Financial | There is a risk that the external audit reveals errors &/or adjustments | Officers discuss with auditors throughout the external audit process | L | Yes |
| Reputational | Information contained in the Annual Accounts may cause damage to the Council's reputation | Independent examination by senior staff and external auditors | L | Yes |

| | | | | |
|------------------------------|------|-----|-----|-----|
| Environment / Climate | None | n/a | n/a | n/a |
|------------------------------|------|-----|-----|-----|

***Note – if there are inconsistencies between the target risk level and the risk appetite level set, please provide rationale for your proposals.**

8. OUTCOMES

| <u>COUNCIL DELIVERY PLAN</u> | |
|--|--|
| Impact of Report | |
| Aberdeen City Council Policy Statement | The proposals within this report provide financial information which supports all services and programmes provided by the Council. |
| <u>Aberdeen City Local Outcome Improvement Plan</u> | |
| 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. |
| Regional and City Strategies | The Council's Annual Accounts provides financial information which supports these strategies. |

9. IMPACT ASSESSMENTS

| Assessment | Outcome |
|--|-------------------------------------|
| Integrated Impact Assessment | Full impact assessment not required |
| Data Protection Impact Assessment | not required |
| Other | not required |

10. BACKGROUND PAPERS

- 10.1 Delivering Good Governance in Local Government, Framework (2016 Edition)' CIPFA & SOLACE, 2016;
- 10.2 'Delivering Good Governance in Local Government, Guidance Note for Scottish Local Authorities (2016 Edition)' CIPFA & SOLACE, 2016;
- 10.3 Unaudited Annual Accounts 2021/22

11. APPENDICES

- 11.1 Appendix A – Aberdeen City Council Audited Annual Accounts 2021/22

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**AUDITED ANNUAL ACCOUNTS
FOR THE PERIOD
1 APRIL 2021 TO 31 MARCH 2022**

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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 2021/22 and understand our financial performance for the year to 31 March 2022. 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 2021/22 meet the requirements of the Council and of the London Stock Exchange (LSE) and provide financial transparency for citizens of the City and beyond.

This publication represents the Annual Accounts of both Aberdeen City Council (the Council) and its group for the year ended 31 March 2022, which have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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.

During 2021, Audit Scotland reviewed the Council's performance and concluded that it had responded well to the immediate pressures of the pandemic and is well placed in the medium to longer term. Covid restrictions continued into 2021/22, however as the year progressed these were eased, this enabled the opening of all facilities. The impact of Covid-19 continues to be felt by the Council, both in supporting our citizens and our city, but also in terms of the impact on Council finances. Income losses, in particular, have been evident throughout the year but are expected to recover to some extent in 2022/23.

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 2021/22 Code would apply, although the option to defer the implementation of the new IFRS 16 for Lease Accounting until 1 April 2024 has been issued. 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. The Council has decided to defer implementation at this time.

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 2021/22 annual accounts. Under Regulation 5 of the Local Authority (Capital Finance and Accounting) (Scotland)(Coronavirus) Amendment Regulations 2022 dates for publishing the Annual Accounts 2021/22 have also been extended to 15 December 2022. 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 22 February 2022. This sets out risks that may require to be mitigated in the preparation of the 2021/22 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 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 June, November and February. These flexibilities have not been used in 2021/22 but the Council wishes to keep open the option to use them in future financial years.

Highlights from 2021/22

Aberdeen City Council is the main provider of services to the City's 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 2021/22, the Operations Function was our largest spending responsibility, accounting for £262 million of our total £431 million net service expenditure. This Function provided Education and Integrated Children's Services to over 24,264 children at a cost of £209 million and Operational and Protective services including roads and waste collection services

at a cost of £53 million. £102 million was invested in Adult Social Work services as part of the Integration Joint Board arrangement with NHS Grampian. £36 million was spent on our Customer Function that includes housing support and customer facing services. The balance of £31 million was spent on the Resources and Commissioning Functions. £95 million was spent on Council Housing – managing and maintaining 23,078 homes.

In 2021/22, we received income of £509 million, comprising £203 million and £128 million raised locally through non-domestic rates and council tax respectively, whilst £178 million was received from government grants.

1. The Impact of the Global Pandemic

On the City Council's Revenue Position

In setting its 2021/22 General Fund (GF) budget on 10 March 2021, against a backdrop of reducing revenue grant, £30.446 million of budget savings; in addition, council tax was frozen as a revenue grant of £4.206m was provided to offset the additional revenue which would have been raised through increasing the council tax. 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 global health pandemic that occurred in 2020 continued to affect our daily lives during 2021/22. Governments across the world have invested significantly in financial rescue plans to mitigate the economic impact of the public health measures introduced to combat the virus. Whilst attention has shifted towards supporting economic recovery, there is much still being done to respond to the pandemic and this consumes high levels of resources

In 2020 the Covid-19 outbreak quickly became significant and a Financial Resilience paper was presented to Urgent Business Committee on 20 March 2020. Similar to the start of the pandemic, in 2021/22 the Scottish Government provided funding through local authorities to assist individuals, the self-employed and businesses throughout the City. The Council acted as an agent by issuing £30.239m on behalf of the Scottish Government, as detailed in Note 19 – Agency Services on page 100 and distributed a further £17.821m by way of service and general grant funding.

The Council has seen a continued Covid-19 impact, with behavioural changes that have affected income, and ongoing restrictions in relation to the opening of buildings, cultural and hospitality venues, particularly in the early months of the financial year. In addition, the local government sector has seen increases in the demand for services, a change in the need for our services, and is left with the consequences of services being closed or reduced, and the switch to critical and response services. From the council perspective, the continued loss of income has been particularly challenging as customer behaviour and restrictions from the pandemic are having a longer lasting effect than had been expected. This has been particularly relevant with car parking income, venue and events income at risk, and planning / building consent monies also predicted to be short of historic levels this year and going forward.

The final out-turn position was a small budget surplus (£1.8 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 2022. Usable reserves stood at £108 million as at 31 March 2022, an increase of £9 million on the previous year.

On the City Council's Capital Position

The continued impact of Covid-19 Pandemic is reflected in the total £129 million investment recorded for the Capital Programme for the year, much lower than originally expected. The working practice guidelines introduced in mid-2020 continued throughout 2021/22 and were further compounded by the Construction Industry experiencing a shortage of products, raw materials, staffing and logistical support across the UK. The Russian invasion of Ukraine in February 2022 and the resulting economic sanctions placed on Russia and Belarus further exacerbated supply chain issues for some commodities which were sourced from eastern Europe.

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

- The Council entered a joint venture arrangement with bp international Limited in March 2022 for progression of the Hydrogen programme and to facilitate expansion of the Council's hydrogen fuelled fleet
- 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 to produce electricity and heat in the Torry Heat Network.
- The Council's Local Transport Strategy advanced design works for the South College Street and Berryden corridors, for improved connections to the City Centre, with the South College Street works supported by a successful bid to the Bus Partnership Fund. Implementation works also commenced for the City Centre Low Emissions Zone (LEZ).
- The City Centre Masterplan continues to invest in Aberdeen; the refurbishment of Provost Skene House was completed; contractors continued the regeneration of Union Terrace Gardens; further land assembly and enabling works advanced for the redevelopment of Queen Street; and major new design principles were progressed for the redevelopment of Aberdeen Market, Union Street, and connections to the City's Beachfront.
- 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 continued its commitment to its New Schools and Early Learning programmes. The programme for the expansion of Early Learning and Childcare was completed with 27 sites opened across the city. Design works progressed on the £100 million investment in 4 new educational campuses, with construction nearing completion at the Milltimber site, and contractors commencing works at Countesswells and Tillydrone.

On the City Council's service delivery

In 2021/22 the majority of services were delivered in the pre-pandemic method and buildings were reopened. The Council's COVID support to the citizens of Aberdeen City Council did not stop during 2021/22 the following were delivered –

- 4,276 Self Isolation Support Grants
- 15,636 Low Income Pandemic Payments
- 14,564 chromebooks and 500 MFi connections to ensure children and young people could access learning during periods of lockdown.
- Made over 15,000 play opportunities available to children and young people as part of our Summer of Play
- Processed 1,087 Omicron Business Grant payments

On the City Council's Group

The Council has a number of Arm's Length External Organisations (ALEOs), several of which form part of our group and are reflected in the group accounts on pages 158 to 177. Significant investment is made in ALEOs by the Council, and proper consideration must be given to their performance and governance arrangements. The continued impact of Covid-19 on the ALEOs has been supported and monitored throughout the year. All had opened back up to external customers by the end of 2021/22, none were fully open throughout the full year, progress is being made to return to pre COVID levels of income. 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 operated under a new framework as agreed in the UK-EU Trade and Cooperation agreement.

Over a year in, there is still uncertainty arising from Brexit. This is detailed in the report by the independent Economic Policy Panel:

- The City and region continue to face challenges in attracting workers with the right skills – an issue likely to be exacerbated by Brexit or COVID.
- 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 not clear what the longer-term impact of BREXIT will be on the population flows once the pandemic has passed.
- 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, but 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 2022 at A1 rating, with an economic outlook of 'stable', in line with the recent changes to the UK's rating, 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.

4. The Council's Governance

During 2021/22, the Council invited CIPFA to review the Mark of Excellence accreditation awarded in 2020. The purpose of the review was to seek confirmation that the Council continues to meet the CIPFA criteria for excellence in governance. The review concluded that our governance arrangements are advanced and that our Mark of Excellence has been retained. The detail 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 9,189 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 was 5 May 2022 after a five-year term. On this date a partnership was formed by the SNP and Liberal Democratic party.

- **Our goals and plans** - The Council operates across different planning levels from the Northeast 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 2022/23](#)**
On 7 March 2022 the Council Delivery Plan 2022/23 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

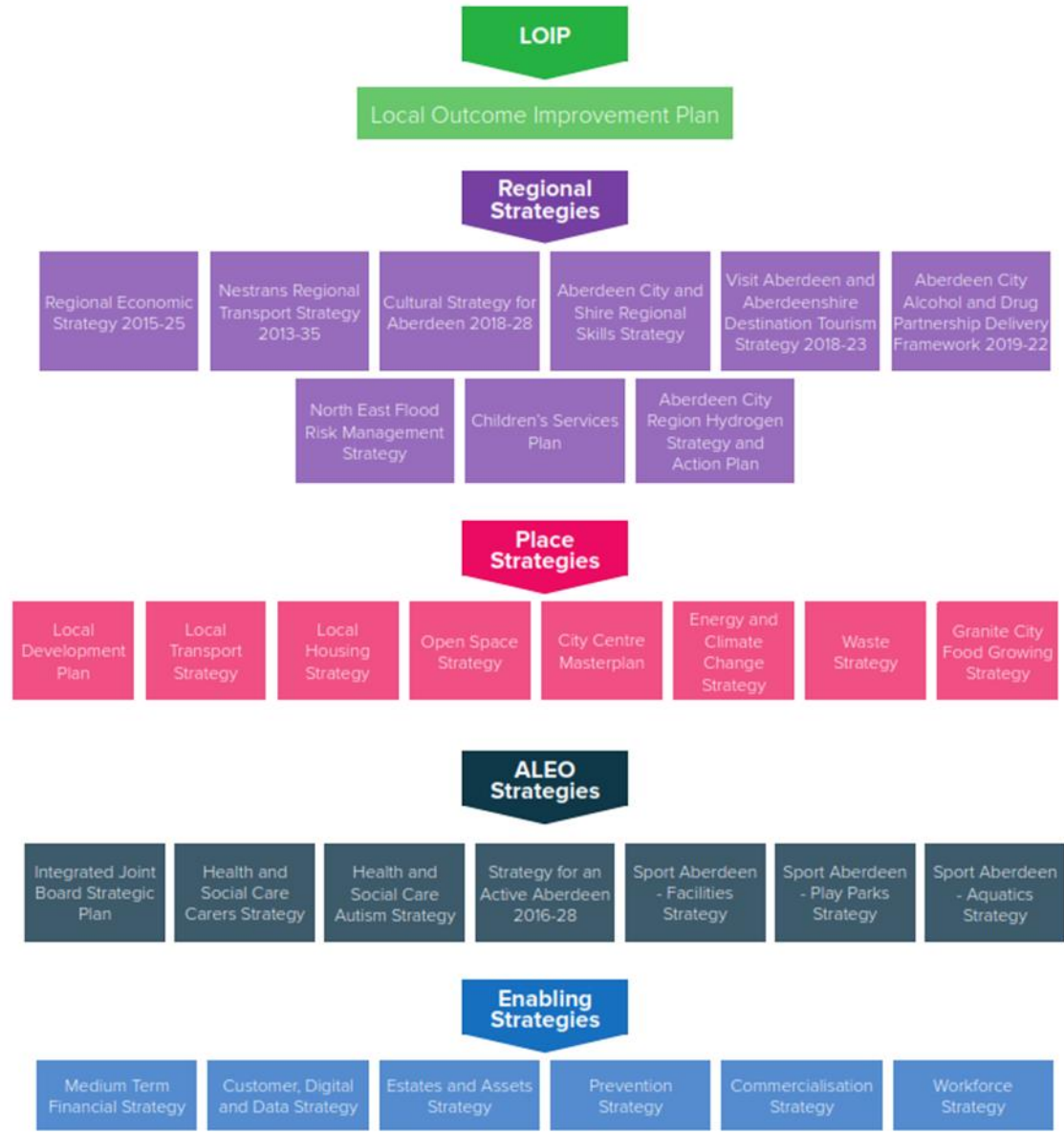
The plan summarises key deliverables under the headings:

- 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 2021 and approved by the CPA on 7 July 2021 this followed an extensive development process which started with the revised Aberdeen City Population Needs Assessment (PNA) for 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 6 October 2021 the Strategic Commissioning Committee approved the commissioning of strategies that aim to set out the Council's contribution to the delivery of LOIP outcomes. The Strategies under development continue to be refreshed and are updated in the Council Delivery Plan 2022/23. Full details can be viewed at the ACC website in Committee Reporting for the stated date.



- **Policy Statement**

Approved in August 2017, providing the Administration's 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 2022/23.

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

Council approved on 28 October 2022 a citywide approach to addressing climate change, as articulated through a Net Zero Aberdeen Routemap which sets a net zero target for Aberdeen City by 2045 across six themes and the refreshed Aberdeen Adapts, providing a climate adaptation framework for Aberdeen.

The two significant local drivers behind Net Zero Aberdeen and Aberdeen Adapts are the Economic Policy Panel's recommendations and Moodie's credit rating, the recent assessment of which noted that for overall environmental risk, Aberdeen scored neutral to low (E-2), reflecting low exposure across all categories, but a moderately negative exposure to carbon transition risks given the significant dependence of the city on the oil and gas sector, an issue which the route map now sets out to address.

Based on the data available and looking at the greatest areas of challenge, six themes were identified. The aim of this first iteration of the Routemap, and of the strategies, is to set that strategic direction for achieving the net zero position and acts as an enabling framework to support the subsequent detailed work required to achieve this goal under those six themes, which are: - Mobility, Energy Supply, Buildings and Heat, Circular Economy, Natural Environment and Empowerment. Each theme will require a whole system approach and must be shaped and delivered by businesses, communities and the public and third sectors. There is no one single body or organisation that can achieve the overall aim and while some organisations will have larger roles across the different individual themes everyone across the city has a role to play. The Routemap is also clear that there are significant interdependencies across all the themes. The Empowerment theme is probably the greatest example of this with behaviour change now accepted as having the greatest opportunity to reduce emissions across all of themes.

- **The Target Operating Model**

Through our ambitious programme of change, begun in 2017, the Council has transformed its organisational design; its governance arrangements; its approach to strategic planning and commissioning of services; its use of technology and digital services; fundamental change in service delivery for customers; the nature and role of our workforce; and how the organisation works collaboratively with its partners. This Delivery Plan shows, throughout, how the operating model supports the planning, commissioning and delivery of services and allows the Council to meet the range of commitments for the people and place of Aberdeen.

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, 3 March 2021 and 28 February 2022.

As we enter 2022/23, the vision of the Target Operating Model set out in 2017 is now in place. The Council is continuing its journey of transformation in the changing world by continuing to embrace new ways of doing business and meeting the changing needs of customers and communities as we live with the impacts of the Covid-19 pandemic. It is important to recognise that this is a constant programme of change – it will not have an end destination but will keep evolving in response to external drivers. The transformation portfolio has been reviewed and refocused in 2022 as described in the 2022/23 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. We will build on what has been achieved as the world continues to change.
- 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 northeast 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, March 2021, and March 2022.

- **Our Commissioning Approach**

2021/22 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 2022/23.

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 6 October 2021 at the Strategic Commissioning Committee, Commissioning Intentions for 2022/23 were approved to provide direction to the design and delivery of services and the allocation of resources for 2022/23.

The key documents can be found at the Council website in Committee reports for the Strategic Commissioning Committee in November 2018, August 2019, December 2020 and October 2021.

- **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**

During 2021/22 every aspect of society continued to be affected by the Covid-19 pandemic and the personal impact has been severe and tragic for many people. During 2021, Audit Scotland reviewed the Council's performance and concluded that it had responded well to the immediate pressures of the pandemic and is well placed in the medium to longer term. In fact, the extreme circumstances of the pandemic made it necessary, and created the conditions, to accelerate many aspects of our journey of change, including our joint working with partners; digital access to services; and the use of data to support those most in need. There is no doubt that, whilst the future path of the pandemic remains uncertain, the breadth of its impact will continue to be felt into the foreseeable future and that impact will extend well beyond the immediate medical effects to include long term physical and mental health "debt", social and economic challenges, and unprecedented financial pressures on local authorities. Many different problems are going to continue to emerge from this pandemic and we are going to have to find different answers and solutions. Covid-19 has shown the fragility of existing public services and given the likely long-term impacts; it is vital that we continue to reinvent public services. Some of the changes introduced will be temporary, but we need to continue to embrace the opportunity for significant and permanent change to renew our system to make it better fit for the future. Throughout 2020/21 and 2021/22, robust and responsive arrangements have been put in place to expediate decision making where necessary and support the democratic process.

- **Legislative duties**

The Coronavirus (Recovery and Reform) (Scotland) Bill was introduced by the Scottish Government on 25 January 2022 which aims to help Scotland recover from the pandemic and ensure greater resilience against future public health threats. As part of learning lessons from the Covid pandemic, the bill will update the statute book to embed reforms in Scotland's public services and justice system.

Non-Domestic Rates (Coronavirus) (Scotland) Bill was introduced to take measures to rule out Covid appeals on non-domestic properties on the basis that market-wide economic changes to rateable values, such as from Covid, should only be considered at revaluation in order to ensure fairness to all ratepayers, and that it is not appropriate to use the material change of circumstances provisions in the non-domestic rates legislation in relation to Covid, or Covid restrictions.

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 to ensure the long-term sustainability of our workforce. During 2021/22, 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 through the refreshed policies for Managing Discipline, Managing Grievances and Dignity and Respect at Work. The Council Delivery Plans for 2020/21, 2021/22 and 2022/23 describe our continued activities in the section 'How we behave as an organisation'.

Engaging with our staff

As well as investment in staff development we recognise the importance of an engaged and committed workforce. The Future of Work employee check in survey was carried out in 2021, the priorities raised in the survey results highlighted ten areas for action. These ten areas are Health & Safety, Mental Health & Wellbeing, Guiding Principles & Capability Framework, Future of Workspaces, Digital Skills & Adoption, Internal Communications & Employee Engagement, Leadership & Management, Employee Benefits & Reward, Energy & Climate Change and Equality, Diversity & Inclusion. An action plan was approved at 7 June 2021 Staff Governance Committee in which each area of the action plan will have their own working group; in parallel also tying in with existing aligning groups and workstreams already established in the council.

The co-creation of working groups and wider staff engagement around these areas will ensure that any arising enabling actions will be designed alongside colleagues and will build on our existing flexibility, aligned to business need. Employee participation in these working groups and peer-led sessions will inform this work, as will the ongoing input from, and collaboration with, Trade Union colleagues.

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 2021/22, in the continued response to the Covid-19 pandemic. 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 2020/21 Annual Report on the City Region Deal Website at 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 6 October 2021, 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 2021/22. Full details can be viewed in Committee Reports for the stated date.

On 23 August 2021, the Council had before it a report by the Chief Executive which presented the Accounts Commission's report published on 24 June 2021 following Audit Scotland's Best Value Audit of the Council. There was positive commentary in relation to the Council's robust financial management arrangements, including effective monitoring and reporting and medium-term financial planning. Further details of the report can be found in the Annual Governance Statement under the section on the Best Value Assurance Report.

Financial Performance

- [Balance Sheet](#)

The Balance Sheet on page 61 shows Net Assets of £1,435 million as at 31 March 2022 (£1,413 million at 31 March 2021), an increase of £22 million. Long Term Assets have increased by £130 million (from £2,794 million at 31 March 2021), reflecting additions of £200 million to Property, Plant & Equipment (PPE), revaluation decreases of £107 million to the value of PPE, Heritage Assets and Investment Properties, disposals of £4 million and depreciation of £85 million. Short Term Assets have decreased by £65 million from the previous year, reflecting a decrease in Cash & Cash Equivalents (£17 million) and Debtors (£26 million) and a decrease in Short Term Investments (£20 million) and Assets Held for Sale (£2 million). Current Liabilities have increased by £8 million from the previous year, because of increases in Short Term Creditors (£6 million), Short Term Provision (£3 million) and Capital Grants Receipts in Advance (£10 million) offset by decreases in Short Term Borrowing (£9 million) and Revenue Grants Receipts in Advance (£1 million). Long term liabilities have increased by £35 million, due to an increase in Long-Term Borrowing (£40 million) and a decrease in PPP LT Liabilities (£5 million).

The Council has continued to reflect the values of Long-Term Assets as at 31 March 2022 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 127 – 131.

Total debt outstanding amounts to £1,240 million (2021 £1,189 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 7 March 2022, and details can be found in the Committee Papers of this date. Our reserves are detailed in Notes 5 and 6 on pages 83 to 87.

- **Treasury**

The annual review of the Council's credit rating was undertaken in December 2021 and an opinion provided on 28 Jan 2022. This was reported to City, Growth and Resources Committee on 3 February 2022. It affirmed the credit rating at A1 with a stable outlook in parity at one notch below the UK's rating 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 2022/23 to 2024/25 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 28 February 2022.

- **Revenue**

During 2021/22, the Council set a net revenue expenditure budget of £578 million (being £483 million on the General Fund and £95 million on the Housing Revenue Account. The performance during the year resulted in a surplus of £1.810 million (represented by £1.310 million on the General Fund and £0.500 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 88 and the Comprehensive Income and Expenditure Statement (CIES) on page 60 as follows:

| Financial Performance 21/22 | Quarter 4 Final Position £'000 | Transfers between funds & other adjustments £'000 | (Surplus)/ Deficit per EFA £'000 | Other Adjustments £'000 | Statutory Adjustments £'000 | (Surplus)/ Deficit per CIES £'000 |
|---|---|--|---|-------------------------------|-----------------------------------|--|
| General Fund | (1,310) | 447 | (863) | (12,175) | 60,047 | 47,010 |
| Housing Revenue Account | (500) | (7,081) | (7,581) | (30,489) | 76,551 | 38,481 |
| (Surplus) /Deficit on provision of services | (1,810) | (6,633) | (8,443) | (42,664) | 136,599 | 85,491 |
| Other Comprehensive Income and Expenditure | | | | | | (107,572) |
| Total Comprehensive Income & Expenditure Surplus | (1,810) | (6,633) | (8,443) | (42,664) | 136,599 | (22,081) |

- **Capital**

The Capital budget for the period 2021/22 to 2025/26 was set at £1,076 million (General Fund £557 million, Housing £519 million). Capital expenditure during the year was £229 million, with £100 million of this for spend on Housing, compared with anticipated expenditure for the year of £402 million. The capital programmes in 2021/22 were financed by capital grants (£39 million), borrowing (£131 million), revenue contributions from the Housing Revenue Account (£29 million) and other grant income/contributions (£30 million).

The continued impact of Covid-19 Pandemic is reflected in the total £229 million investment recorded for the Capital Programme for the year, much lower than originally expected. The working practice guidelines introduced in mid-2020 continued throughout 2021/22 and were further compounded by the Construction Industry experiencing shortage of products, raw materials, staffing and logistical support across the UK. The Russian invasion of Ukraine in February 2022 and resulting economic sanctions placed on Russia and Belarus further exacerbated supply chain issues for some commodities which were sourced from eastern Europe.

Contingent liabilities were identified considering additional project cost uncertainty, details can be seen on page 129. 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 £3.319 billion. This is an increase against the total assets of the Council, which are £3.173 billion, 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 2021/22. Details can be seen on page 158-177.

- **Common Good**

The Common Good recorded an operating deficit of £0.601 million. This deficit is before revaluation of assets, investments and other accounting adjustments are applied. The value of the Common Good is £127.8 million at 31 March 2022, an increase of £0.3 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 152-154. [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 2022 was £10.631 million, an increase of £0.065 million from last year. Further details on the Trust Funds and Endowments can be seen at pages 155 to 157.

Outlook including Risks and Uncertainties

Outlook for the City Council

a. Challenges from the rising cost of living and falling living standards

Just as the uncertain effects of COVID on the economy were starting to disappear or become more clearer, inflation pressures and a war in Europe have replaced them. Inflation is forecast to peak at 8.7% in the fourth quarter of 2022 before dipping below target during 2022. Pressures have been experienced in the supply chain as a result of the war in Europe impacting on such materials as steel, grain etc. The Council is looking to understand the impact of these new pressures on the budget and is working on the Medium- Term Financial Strategy to be presented to City Growth and Resources Committee in August 2022.

Financial sustainability

On 10 November 2021 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 that the increasing demand and pay and price inflation will drive costs up at a faster rate than the council can expect to raise income. From the Strategy the scenario plans reveal a range for 2021/22 of between £32m and £80m, with a central scenario that is towards the upside set of assumptions, this is because of a close alignment in these scenarios of income levels, and of the lack of opportunity for extra income to be generated by the council in the current climate.

The Council set its 2022/23 General Fund revenue budget, Housing Revenue Account, Common Good and five-year capital budgets on 7 March 2022. The 2022/23 General Fund budget presented proposals to address a significant gap of £32.2 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 a 3% increase 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. The Council continued the freezing of rents on the Housing Revenue Account for a further year as agreed on 10 March 2021 and to distribute over £4m 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 2022/23 to 2026/27 was set at £1,135 million (General Fund £623 million, Housing £512 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 and respond to the cost of living crisis. 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 28 February 2022 Council set the Net Zero Aberdeen route map which sets a net zero target for Aberdeen City by 2045. 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, 7 March 2022) the strengthened alignment of the commissioning intentions to support the Council's priorities of addressing climate change by reducing Aberdeen's carbon emissions by at least 61% by 2026 and adapting to the impacts of our changing climate are highlighted.

The two significant local drivers behind Net Zero Aberdeen and Aberdeen Adapts are the Economic Policy Panel's recommendations and Moodie's credit rating, the recent assessment of which noted that for overall environmental risk, Aberdeen scored neutral to low (E-2), reflecting low exposure across all categories, but a moderately negative exposure to carbon transition risks given the significant dependence of the city on the oil and gas sector, an issue which this route map sets out to address.

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 Northeast 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 strength of the recovery in Aberdeen City depends upon the recovery in the energy sector where the outlook continues to evolve. The oil price recovered to \$75 in December 2021, having fallen to an average \$18 per barrel during April 2020 at the beginning of the pandemic. In the longer term the transition to Net Zero is both a challenge and an opportunity for the sector.

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 Northeast of Scotland as a competitive business, investment, and visitor destination. In 2021, the city was home to 11,140 'businesses' (including public administration), supporting around 173,600 jobs and, in turn generating an estimated £203 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**

Aberdeen's economic performance has been adversely affected by the pandemic. The pandemic has had a particularly acute impact, however on the Northeast region in part due to the sector mix of the local economy. Factors critical for the long-term success of the region include economic diversification, skills, infrastructure investment and energy transition.

A recent assessment of the Economic Outlook for Scotland can be found in 'fourth Medium Term Financial Strategy' published by Scottish Government on 9 December 2021. It quotes:

'The Scottish economy has continued to recover across 2021 as restrictions on economic activity have largely been lifted. However, the recent emergence of the Omicron COVID-19 variant and associated uncertainty will weigh on consumer and business confidence. The Organisation for Economic Co-Operation and Development's (OECD) latest assessment from 1st December 2021 is that it could intensify imbalances that are slowing growth, raising costs and could delay the world economy's return to pre-pandemic levels.'

The independent Aberdeen Economic Policy Panel produces an annual report on the state of the Aberdeen Economy. It was published in December 2021 and finds that like other economies in Scotland and the rest of the world, Aberdeen's economic performance has been adversely affected by the pandemic. In Aberdeen City Universal Credit claims have increased from 7,966 in March 2020 to 17,605 individuals in September 2021, an increase of 121% with a peak in March 2021 of 18,523 individuals. This is a higher rise than the Scottish average, although the overall Universal Credit rate remains lower in Aberdeen City than the national figure. The full report can be found on the Council's website.

On a positive note, the average annual economic growth for cities in Scotland is 7.1% in 2021. This is slightly below the UK average rate of 7.4% in 2021. Aberdeen and Edinburgh recovered the strongest in the region, growing by approx. 7.5% and 7.6% in 2021, according to the Good Growth for cities report by Pricewaterhouse Coopers. They expect this trend to continue in Aberdeen in 2022 as the Aberdeen economy is expected to grow by 5.5%, above the UK average growth in the year.

Supporting Recovery

The Council took 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. An update on the Socio-Economic Plan was provided to City Growth & Resources Committee on 10 November 2021 which showed the actions have been substantially completed or brought into mainstream delivery and response, particularly in response to worsening unemployment.

On 25 August 2021 the Council provide an update on the 2015 City Centre Masterplan (CCMP) review and what could be prioritised in the short term to support initial economic recovery within the City. These short-term arrangements included extending temporary outdoor trading until 31 March 2022 and then looking beyond this if businesses wanted to extend past this date.

A report to City Growth and Resources on 12 November 2021 on City Centre Masterplan, Aberdeen Market, Queen Street, and the Beach progresses these strategic work streams with a programme of works which in the long term support the recovery of the city.

The approval of Aberdeen City Council entering into a Joint Venture with bp International Limited to deliver the Aberdeen Hydrogen Hub (AHH) Strategic Partnership will also facilitate recovery. The vision for the AHH aligns with the UK Government's recent UK Hydrogen Strategy publication which sets out the approach to develop a thriving low carbon hydrogen sector in the UK with an ambition to generate 5GW of renewable and low carbon hydrogen by 2030 and the Scottish Government's Hydrogen Policy Statement and Draft Hydrogen Action Plan, which both pitch Scotland to become a leading hydrogen nation in the production of reliable, competitive, sustainable hydrogen.

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 2021/22 financial year results showed a small surplus of £1.810 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.

This has been an extremely changeable year, from the changing restrictions to respond to the pandemic, and financial market and inflation pressure emerging and continuing to escalate and the war in Europe. The Council governance arrangements for responding to the changing environment, 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 2021/22 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 2021/22 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
27 September 2022

Angela Scott
Chief Executive

Councillor
Co-Leader of the Council

Statement of Responsibilities

The Council is required to:

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

Signed on behalf of Aberdeen City Council

Councillor

Co-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 2022.

Jonathan Belford, CPFA
Chief Officer – Finance
27 September 2022

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, approved in February 2022, 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 any 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 2022 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 activities have led to the delivery of appropriate, cost effective services to the citizens of Aberdeen.

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 but aims to 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 a report of its activities and effectiveness is considered annually 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. 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. This statement extends to cover our relationships with the organisations included in the Council's Group Accounts, referred to as the "ACC Group".

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:

- First Line of Defence ("do-ers")** Managers and staff who are responsible for identifying and managing risk as part of their accountability for achieving objectives
- Second Line of Defence ("helpers")** 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**

Governance sources of assurance and activity over the year are summarised in Table A below. This has been reviewed by each Chief Officer with reference to their own portfolios, by the Risk Board, and by the Corporate Management Team. This provides an adequate level of self-assessment by the organisation.

These assurances include 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 2021/2022, no issues were highlighted.

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 financial control issues have been identified.

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. In addition, the Chief Social Work Officer attends both the Council's Public Protection Committee and is an adviser to the Integrated Joint Board.

The Council remains vigilant and proactive in understanding the threat posed by cyber attacks. The Chief Officer – Digital and Technology seeks independent assurance on the suitability of the Council's controls and has responded to the Public Sector Cyber Assurance Survey issued by Scottish Government in January 2022.

CIPFA Mark of Excellence

During 2021/22, the Council invited CIPFA to review the Mark of Excellence accreditation awarded in 2020. The purpose of the review was to seek confirmation that the Council continues to meet the CIPFA criteria for excellence in governance. The review concluded that our governance arrangements are advanced and that our Mark of Excellence has been retained, with evidence provided across the seven principles confirming 91% effectiveness. CIPFA commented in its final report that elected members and officers continue to demonstrate a clear understanding of the importance and essential elements of good governance, enhancing the organisation's capacity and capability to deliver sustainable outcomes, whilst acting in the public interest at all times. Some recommendations were made to ensure that governance improvements continue, and these are reflected in the priorities for 2022/23 (Table B).

Scheme of Governance

During 2021/22 the Council undertook its agreed annual review of the Scheme of Governance, having monitored its use and application 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 elected members and officers to ascertain 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, minor amendments were proposed to the Scheme to help ensure that the Council's governance arrangements remain effective. These were approved by Council on 28 February 2022. The small number of changes demonstrates that the Scheme of Governance has been operating well throughout the year.

Below is management assurance 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 brings together senior Council officers with senior ALEO representatives to discuss corporate governance, strategic planning, business planning and horizon scanning. This is chaired by the Head of Commercial and Procurement.

The ALEO Assurance Hub has a remit to provide oversight of each ALEO's risk management, financial management and governance arrangements. The purpose of the Hub is to provide assurance to Council on ALEO governance whilst balancing this need with the rights of ALEOs to govern themselves as independent entities. The Hub continues to adopt a proportionate and risk-based approach and receives assurance from ALEOs through exception reporting which allows it to assess the level of 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

Following feedback from the ALEOs on the Assurance Hub process, a number of improvements have been implemented, including increasing joint planning of the annual Hub workplan, allowing bespoke reporting arrangements and occasional attendance from the Hub at ALEO Board meetings.

The Assurance Hub met with each ALEO in December 2021 to discuss proposed reporting arrangements, in particular to seek feedback on how the Hub can maximise its role in helping each ALEO to provide adequate assurance to the Audit, Risk and Scrutiny Committee. Some adjustments were made to the reporting timescales – now proposed for June and December (previously May and September) - and to the frequency of assurances sought in areas which are well established within each organisation. For instance, a review of risk registers will now be undertaken annually by the Hub, as there is adequate assurance in place that Boards are managing risks through regular discussion at quarterly meetings. The workplan was approved by Committee in February 2022.

In addition to the Assurance Hub reporting, Sport Aberdeen, Bon Accord Care, Aberdeen Performing Arts and Aberdeen Sports Village presented their annual reports to the Strategic Commissioning Committee in October and December 2021 in respect of their contribution to the Council and the city's outcomes, highlighting the challenges posed as a result of the pandemic and the steps taken as a result.

The Assurance Hub undertakes an annual review of its Terms of Reference to ensure they remain fit for purpose. No significant changes were made in 2022.

Integration Joint Board

The Aberdeen City Integration Joint Board (IJB) has taken a number of steps during 2021/2022 to further strengthen its governance arrangements. These include:-

- Review of Board and Committee Terms of Reference
- Approval of ACHSCP Annual Report 2021/22
- IJB Developmental Workshop sessions – regular focus on the development of the Strategic Plan and areas of importance to the members
- 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, including reviewing and building upon these governance arrangements to reflect the IJB becoming a Category 1 responder under the Civil Contingencies Act 2004
- Emergency arrangements being in place to help facilitate the support to the pandemic and adverse weather events.

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 Covid 19 pandemic and the impact of adverse weather events on our vulnerable people.
- 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.
- That the Adult Protection Committee and Chief Officer's Group provides sufficient oversight of the adult support and protection arrangements delegated to the IJB.

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 2022, the Chief Internal Auditor provided the Council with their annual statement on the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ending 31 March 2022. In the Chief Internal Auditor's opinion, Aberdeen City Council had an adequate framework for Governance, Risk Management and Control, covering the period 1 April 2021 to 31 March 2022.

The report provided details of the position relating to the audits contained within the 2021/22 audit plan and highlighted that recommendations made had been accepted by management and if taken to full implementation will improve the Council's internal control environment and lower the overall risk profile. The report also further confirmed the organisational independence of Internal Audit.

The Internal Audit plan for 2021-22 was agreed by the Audit, Risk and Scrutiny Committee on 21 February 2021. The Committee received a range of reports during the year produced by Internal Audit that enabled scrutiny and questioning of officers to take place. This helped the Committee to gain assurance about identified weaknesses and actions being taken to address them.

The volume of work completed during 2021/22 was more than seen in the previous year, due to COVID-19, however, with issues ongoing, the level of work had not yet returned to levels delivered in previous years. The resources and capacity of the Internal Audit team and of audited Services continued to be affected negatively during the year. The Chief Internal Auditor confirmed that through various additional sources such as: the previous body of audit work, follow up action, and wider assurance work completed during the year, they were satisfied that sufficient internal audit and assurance work has been undertaken to give an overall opinion.

82 recommendations were made, all of which were agreed with management in reports finalised during the year. One was classed as major at corporate level that related to compliance with procurement regulations and has been addressed. The remainder were either significant within the audited area (55) or important within the audited area (26). Different areas of the organisation are audited each year, and there has been a slight increase in the number of audits completed with a similar number of recommendations made in 2021/22 compared with 2020/21 (83) which decreased (following a corresponding decrease in activity due to COVID-19) from 2019/20 (218).

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. 105 actions were concluded within the year. The number of recommendations that had not met their initial timescale for implementation was 37 at the start of the year. The equivalent figure for the year end was 12, representing substantial progress in addressing the risks identified in Internal Audit reports. However, five of the actions have been overdue since 2020/21. Management has highlighted in these reports that, where necessary, progress with implementing actions has continued to be 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.

The Internal Audit plan for 2022-25 was approved by the Audit, Risk and Scrutiny Committee on 22 February 2022. This shift to a three-year plan was reported as required to allow Internal Audit and the Council overall to gain an understanding of the wider operating environment and to ensure that on a rolling basis it was covering off a sufficient range of the Council's operations.

2.1.3 External Audit and Inspections

The Council's appointed External Auditor for the period 2016/17 to 2022/23 inclusive is KPMG. External Auditors report regularly to the Audit, Risk and Scrutiny Committee and their reports cover the range of year-end financial audits that are required at a local level and with a national perspective, together with updates on outstanding external audit recommendations, including Best Value audits.

External Audit presented their 2021-22 Audit Strategy to Audit, Risk and Scrutiny Committee on 22 February 2022 setting out the audit plan for the year, including references to significant areas of audit focus that will notably include an audit of the financial statements and provision of an opinion on whether the financial statements: give a true and fair view; participation in the shared risk assessment as part of the local area network; completion of returns to Audit Scotland and grant claims; a review and assessment of the Council's governance arrangements and review of the governance statement; a review of National Fraud Initiative arrangements; a review of arrangements for preparing and publishing statutory performance information; and contributing to the audit of wider scope and Best Value through performance of risk assessed work.

The External Audit annual report was presented to Audit, Risk and Scrutiny Committee on 30 June 2021 with the next annual report due before Committee in September 2022.

External audits and inspections were reported to the Risk Board where relevant and included:

- Surecloud provided external IT Health Checks for Public Services Network (PSN) Accreditation and External Network Penetration Testing.
- The Website Monitoring Team at the Central Digital and Data Office conducted an audit on the Council's website.

Education Scotland / Care Inspectorate Inspections

At the time of the last Annual Governance Statement, school inspections had been paused due to COVID-19, however in September 2021 plans to resume Education Scotland inspections from January 2022 were announced. However as a result of the Omicron variant and concerns around staffing levels, officers were advised in December 2021 that

the full programme would not resume as planned. From February 2022, it is expected that HM Inspectors will carry out 'recovery visits' to a selection of early learning and childcare settings and schools, focusing on how settings and schools are addressing the impact of COVID-19. Follow ups on inspections which had been undertaken prior to January 2022 began to be reported again to the Education Operational Delivery Committee in January 2022.

In addition to ELC and School Inspections reported to the Risk Board and EODC the Care Inspectorate completed the following inspections:

- Justice Social Work Services in Aberdeen – Inspection with report published in February 2021
- Community Learning and Development – Inspection with report published in January 2022

Adult Support & Protection Joint Inspection

A joint inspection of the Aberdeen City Partnership's Adult Support and Protection arrangements will commence in February 2022 with the final report expected to be published in June 2022.

The joint inspection will be conducted by the Care Inspectorate, Healthcare Improvement Scotland and HM Chief Inspector of Constabulary Scotland in order to provide scrutiny and assurance on the partnerships arrangements to ensure the safety and protection of adults at risk from harm. The inspection will also provide assurance on implementation of the Adult Support and Protection (Scotland) Act.

Best Value Assurance Report

Each local authority in Scotland receives a Best Value audit every five years as part of a rolling programme of audits established by the Accounts Commission, and Aberdeen City Council was audited from December 2020 to April 2021, with the Interim Controller of Audit's report presented to the Accounts Commission on 10 June 2021. In the case of Aberdeen City Council, the Commission accepted the Controller of Audit's report and recommendations. The final report was published on 24 June 2021 and concluded:

“We commend Aberdeen City Council on the strong changes, improvements and ambition that have been put in place since our 2015 and 2008 Best Value reports. The council continues to display a self-awareness about its need to further increase its pace of improvement if it is to deliver its ambitious vision with its partners to bring positive change for all of the people of Aberdeen; this is welcome.”

Audit Scotland recognised that the Council had made significant improvements since the last Best Value Audit in 2015. The Commission noted that the Council's sound financial planning and ability to meet challenging financial targets had placed it well in responding to the COVID-19 pandemic. In particular, the robust governance and financial stewardship required in pursuance and maintenance of the London Stock Exchange bonds was commended, and it was noted that the Council demonstrates advanced practice, in a local authority context, through quarterly financial reporting. The Commission commented that the major transformation programme undertaken by the Council, with the Target Operating Model and digital strategy at its centre, had led to improvements in organisational structure and governance.

The significant changes to the governance arrangements were recognised to be well established, robust and effective, and had led to a better understanding among members of how committees are expected to contribute to council business. It was also noted that the governance put in place had received external recognitions when the Council became the first Scottish Council to be awarded CIPFA's Governance Mark of Excellence.

An action plan was prepared setting out the report's recommendations, progress already made in addressing these, and further actions which were planned, and this was approved by Council in August 2021. **Appendix A** to this Statement provides an update on progress against the actions due for completion within the year 2021/22. Where completion dates are in 2022/23 and beyond, updates will be provided in future Annual Governance Statements.

2.1.4 COVID-19

Governance Arrangements

Following the revised governance arrangements put in place to facilitate decision-making in light of the pandemic, Committee meetings in 2021/2022 were held in a hybrid manner, with some Councillors and officers participating remotely via Microsoft Teams and the rest physically present in the Council Chamber to allow for social distancing. All meetings were webcast, allowing the public access when it was not possible for them to be present in the Town House. Notwithstanding these hybrid arrangements, the decision making of Council and Committees were recorded in the normal way.

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

Six months into the pandemic, a staff survey was undertaken to ascertain how the experience could fundamentally build our organisational and personal resilience, changing the way we think about how we work and how we deliver services. The results of that survey were considered at the Staff Governance Committee in June 2021, which led to ten areas for action being identified by staff which would have their own working group; in parallel also tying in with existing aligning groups and workstreams already established in the Council, namely 1) Health & Safety, 2) Mental Health & Wellbeing, 3) Guiding Principles & Capability Framework, 4) Future of Workspaces, 5) Digital Skills & Adoption, 6) Internal Communications & Employee Engagement, 7) Leadership & Management, 8) Employee Benefits & Reward, 9) Energy & Climate Change and 10) Equality, Diversity & Inclusion.

Over the last year, work has also continued on the actions outlined in the Mental Health Action Plan, with an updated Plan due to be presented for approval at the Staff Governance Committee in February 2022. Support has also continued to be made available to staff during the pandemic, with tools and information made available and additional resources to enable a safe return to the workspace.

Ensuring the effective delivery of local elections

The Council successfully ran the May 2021 Scottish Parliament elections, employing a range of mitigations in all settings 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. Work is well underway to deliver the May 2022 local government elections in a similar manner.

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 2021 to 31 March 2022. This includes a self evaluation of effectiveness as at 31 March 2022 thereby providing assurance around our systems of internal control:

Table A

| CIPFA Principle of Good Governance | Sources of Assurance 2021/22 |
|--|---|
| <p>A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> | <ul style="list-style-type: none"> ➤ Information governance reporting and scrutiny through Audit, Risk & Scrutiny Committee, the Risk Board and 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 ➤ Monitoring of Scheme of Governance to ensure continued effectiveness; training delivered to elected members and officers following any amendments; recommendations of further minor revisions to the Scheme to make decision making more efficient and transparent presented to Council in February 2022 for approval ➤ Annual review by Committees of their effectiveness against Terms of Reference initiated, with feedback taken on board from the previous year and adjustments made to the content. CIPFA noted in their 2022 review of governance at Aberdeen City Council the importance of the effectiveness reports and the engagement of Committee Members with the process by making specific suggestions for improvements to the reports in future years ➤ Monitoring of policy and legislative changes through 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 ➤ Approval of policies within the Policy Framework ➤ Attainment of the Equally Safe at Work bronze level accreditation, a programme which addresses gender inequality and gender-based violence ➤ All committee reports monitored by a lawyer, with a legal advisor ordinarily present at each committee meeting, to ensure the rule of law is respected ➤ In-house legal advice is complemented by external legal advice where additional capacity or expertise is required to ensure compliance, e.g., establishment of Joint Venture with bp ➤ Tracking of guidance and regulations relating to COVID-19 to ensure compliance across all Council services ➤ Review of the Council's operational agreements with learning centre associations and approval of new operational agreements ➤ Presentation of Information Governance Annual Report to Audit, Risk and Scrutiny Committee |
| <p>B - Ensuring openness and comprehensive stakeholder engagement</p> | <ul style="list-style-type: none"> ➤ While the pandemic prevents public and press attendance at meetings, Committee meetings have been webcast 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 ➤ Refresh of the Local Outcome Improvement Plan approved in July 2021, 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 ➤ Approval of the refreshed Parental Involvement and Engagement Plan 2021-2024 ➤ Staff Governance Committee, including Trade Union adviser representatives. Positive commentary from Trade Union advisers on the operation of the committee which had been run very effectively, with the ability to have a Trade Union voice on the issues raised ➤ Weekly Director and Trade Union meetings to strengthen engagement ➤ Function Health and Safety groups, including Chief Officers and TU representatives |

| CIPFA Principle of Good Governance | Sources of Assurance 2021/22 |
|------------------------------------|--|
| | <ul style="list-style-type: none"> ➤ Oversight of ALEOs by ALEO Assurance Hub, reported twice in the year ➤ Annual review of the ALEO Assurance Hub Terms of Reference in consultation with ALEOs ➤ The Leadership Forum membership has continued to expand and provide resources to support officers in their role as leaders, keeping them informed on key developments; providing a space for them and their teams to get actively involved in what is happening in the Council; and facilitating collaboration, sharing and problem solving ➤ Webinars are also run for the Leadership Forum, available to share with anyone they feel would benefit from attending, including team members. ➤ Working alongside Integration Joint Board in respect of the inclusion of IJBs within the Civil Contingencies Act 2004 as Category 1 responders ➤ Customer Feedback Team and Access to Information Team working with services to improve the quality and speed of responses to customers Work is ongoing in this area with evidence of improvement, particularly in relation to Freedom of Information requests ➤ Expansion of Chatbot knowledge and ability to respond to a wider range of topics to assist customers ➤ An integrated access approach has been implemented with Housing Management and with Police Scotland to streamline access to services and enhanced partnership working. This will remain an areas of focus for 2022/23 ➤ Service design approach adopted within cross functional redesigns which supported revised transformation blueprint and approach is also embedded within commissioning cycle which ensures we work with our customers and partners to codesign service provision and improvements ➤ Targeted improvement activity in key service areas to drive customer centricity aligned with the We Care Charter - Improvement activity has focused on services such as Housing Management and Customer Services and further development of the Customer Academy. This will remain an organisation wide focus for 2022/23 ➤ Ongoing work with Economic Policy Panel who engage across the city annually and offer an assessment on Council activity ➤ 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. This has been completed and is supporting the 22/23 budget process ➤ Use of public values simulator to gather views from public on priorities for the refreshed LOIP ➤ A Belmont Street Quarter survey was carried out with businesses and residents in the area to understand more about their priorities, challenges and activities in relation to outdoor trading ➤ Stakeholder meetings relating to the development of the CCMP traffic management plan, including the Disability Equity Partnership, Accessible City Transport Users Partnership and the City Centre Masterplan Public Transport Forum ➤ Ongoing weekly meetings with the Disability Equity Partnership City Centre working group to discuss both street design and traffic management issues as they emerged and thereby inform design development ➤ Engagement with various other key stakeholders, including the Community Council Forum, Bus Partnership, Cycle groups and the overarching ACTUP group in order to inform design work ➤ Continued engagement with children and young people on the city centre masterplan in line with the Council commitment to becoming a Child Friendly City ➤ "The Future of Aberdeen City Centre and the Beach" public engagement exercise in June-July 2021 Consultation and engagement undertaken with children and young people for the Beach Masterplan, namely: <ul style="list-style-type: none"> • Workshops with P6 Primary School children, followed by a presentation of their ideas to members of the design team • A 'creative postcard exercise' undertaken with secondary school students • Consultation through a QR code and online survey |

| CIPFA Principle of Good Governance | Sources of Assurance 2021/22 |
|------------------------------------|--|
| | <ul style="list-style-type: none"> ➤ Creation of a video to be shared with the schools and youth groups who participated in the consultation, explaining how their ideas and suggestions have been influencing the emerging designs for the Beachfront. ➤ 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 ➤ 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 ➤ Review undertaken of Community Planning Aberdeen Engagement, Participation and Empowerment Strategy – draft due April 2022 ➤ Completion of review of Tenant Participation Strategy = a new strategy has been identified and is being implemented to support service transformation ➤ Expansion of the use of Participatory Budgeting (PB) remains a focus but has been challenging to develop due to Covid restrictions. The Fairer Aberdeen Fund remains the single biggest PB exercise, with £1.6m committed in 20/21 to community groups through PB ➤ Various consultations undertaken throughout the reporting year, including, but not limited to:- <ul style="list-style-type: none"> • Summer of Play evaluation • Early Learning and Childcare evaluation • Statutory Consultation: Proposals to establish catchment areas for Gaelic Medium Education provision at Hazlehead Academy and Gilcomstoun School • Draft locality plans • Digitisation of the Music Service • Draft Local Outcome Improvement Plan • Aberdeen City Council Gaelic Language Plan • Aberdeen Low Emission Zone • Ellon Park and Ride to Garthdee Transport Corridor Study • Child Protection and Disability Questionnaire • Aberdeen Local Transport Strategy ➤ Participation in various external partnerships which support the economic development of the Place of Aberdeen, for instance, City Region Deal Joint Committee. ➤ Work to improve how children and young people are meaningfully involved in influencing decisions that affect them including work with schools to address climate change; approval of plans to develop accessible information for young people relating to Net Zero; and holding a Child Friendly COP26 event in March 2022, appointing a secondary school President to present the findings to a special Education Operational Delivery Committee in April 2022 ➤ Community Council Liaison and Support ➤ Community Planning Partnership Community Empowerment Group overseeing delivery of Partnership Empowerment Strategy ➤ Integrated Locality Planning Model between CPP and Health and Social Care Partnership ➤ Community Learning and Development Plan refreshed to ensure strategic alignment with LOIP and Locality Plans ➤ Establishment of Locality Empowerment Groups ➤ Priority Neighbourhood Partnership in place for most deprived communities ➤ Role of Community Connectors introduced to enable community input in our Improvement Projects ➤ Aberdeen Responsible Business Network to engage business community. ➤ Agreement on a Memorandum of Understanding with the Centre for Homelessness Impact to work together to tackle homelessness on an evidence and data led 'functional zero homelessness' principle. |

| CIPFA Principle of Good Governance | Sources of Assurance 2021/22 |
|---|--|
| C - Defining outcomes in terms of sustainable economic, social and environmental benefits | <ul style="list-style-type: none"> ➤ Consideration and approval of the Climate Change Report 2020/2021 ➤ Education Operational Delivery Committee consideration of a report on the Outcomes for Care Experienced Children and Young People and agreement for an annual report to be presented to Committee ➤ Development and implementation of a targeted learning package for those whose employment opportunities were hardest hit by the pandemic ➤ Regular reports submitted on the Socio-Economic Rescue Plan for the city, including outlining the ongoing work in relation to the Aberdeen City Council Business Charter ➤ Review completed of support to Trusts to ensure that funding and support is aligned with outcomes ➤ The LOIP was refreshed and approved in July 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 ➤ Monitoring and approval of commissioning activity at the Demand Management Control Board and by the Strategic Commissioning Committee to help ensure that the needs and outcomes specified in the LOIP are being achieved ➤ Monitoring of the impact of activity on outcomes through reports to the Strategic Commissioning Committee:- Council Delivery Plan Annual Report; Locality Plans Annual Report; Sport Aberdeen Annual Report; Aberdeen Sports Village Annual Report; Bon Accord Care Annual Report; Aberdeen Performing Arts Annual Report; and the Community Planning Aberdeen Annual Outcome Improvement Report ➤ Risk management section in committee report template ensures due consideration given to environmental and climate impact of any proposals. ➤ Approval of the revised Performance Management Framework (PMF) at Strategic Commissioning Committee in October 2021 ➤ Corporate level monitoring and reporting of performance in the management of staff and finance to Staff Governance Committee and City Growth and Resources Committee ➤ Regular reporting to Committees and management teams showing current performance data, as well as relevant contextual analysis to support scrutiny and decision making ➤ Additional supplemental performance reporting to committees scheduled, as appropriate, to provide timely and full analysis in key areas e.g. annual educational attainment performance ➤ Approval of Aberdeen's Net Zero Routemap and associated strategies at Full Council on 28 February 2022 |
| D - Determining the interventions necessary to optimise the achievement of the intended outcomes | <ul style="list-style-type: none"> ➤ Regular committee reports on the Education Improvement Journey and National Improvement Framework ➤ Interventions developed to address food insecurity and poverty using £175,000 allocated by the Council, supporting the LOIP outcome "No one in Aberdeen will go without food due to poverty by 2026" ➤ Support provided to 33 Afghan families relocated to Aberdeen in support of the Home Office Afghan resettlement scheme, with bespoke EAL provision provided at Sunnybank School and St Machar Academy until the children and young people moved to local schools once permanent addresses were identified ➤ Establishment of Anti-Poverty Outcome Improvement Group ➤ Implementation of the scheme to support the digital needs of care leavers, including the following:- ➤ Amending the Multi-agency Pathway Planning and Aftercare Support guidance to include assessment of the digital support required by a young person at each stage of their transition from care; updating guidance on completing financial assessments to access financial support to include assessing for digital support; proactively identifying unmet digital needs; planning for the provision of access to a device, data and skills as a key requirement when care plans are updated; ensuring at the point of leaving care each young person has a suitable device, beyond a mobile phone; support to e.g. purchase MiFi connections; and consultation with children and young people as to how this approach can be developed |

| CIPFA Principle of Good Governance | Sources of Assurance 2021/22 |
|---|---|
| E - Developing the entity's capacity, including the capability of its leadership and the individuals within it | <ul style="list-style-type: none"> ➤ Approval of the joint Aberdeen City Council and NHS Grampian Child Poverty Action Report 2020/21 for submission to the Scottish Government ➤ Annual reports for each ALEO reported to Strategic Commissioning Committee in October and December 2021. ➤ Submission of third annual effectiveness report to Committees. Review of annual report after each year to ensure that format is effective, taking on board feedback from Members. ➤ Ongoing monitoring of capital programme at both Capital Board and Capital Programme Committee ensuring monitoring and control of projects and programmes impacted by COVID. ➤ 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. ➤ Development of the Council's Transformation Blueprint 1.2 and continued development of the commissioning approach to ensure outcomes are being met. ➤ 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. ➤ Revised Local Outcome Improvement Plan presented and approved in July 2021, taking on board the impact of COVID-19, the revised CPA Improvement Programme, and the socio economic rescue plan ➤ 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, including creation of Aberdeen Responsible Business Network ➤ Working closely with partners, customers and communities to deliver inclusive, whole system redesign. Partnership work was driven through both Community Planning Aberdeen and the north east Multi-Agency Transformation Management Group ➤ Development of the Council's proposed delivery plan for 22/23 taking into account past and present performance against outcomes and commissioning intentions ➤ Approval of a Joint Venture with bp to deliver a Hydrogen Hub in Aberdeen ➤ Approval of Commissioning Intentions and Service Standards, which are consistent with the budget for 2022/23 and Medium Term Financial Strategy |
| | <ul style="list-style-type: none"> ➤ Review in June 2021 of the new approach to internal recruitment, movement of staff and ways of working to respond to different demands and a different working environment, derived from the responses to the Future of Work survey ➤ Ongoing work in 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) ➤ Evidence-based digital engagement work, looking at adoption rates and how we digitally connect all of our staff, particularly the frontline ➤ Development of Elected Member Development Microsoft Teams Site as the focal point of communication and announcements on training sessions and a point of reference for information and questions ➤ Training for new External Members on the Education Operational Delivery Committee ➤ 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 ➤ Review of People Policies to align with, and act as behaviour reinforcers for, the Guiding Principles, including approval of revised Managing Grievances Policy, Dignity and Respect at Work Policy and Managing Discipline Policy at Staff Governance Committee in 2021 |

| CIPFA Principle of Good Governance | Sources of Assurance 2021/22 |
|---|--|
| F - Managing risk and performance through robust internal control and strong public financial management | <ul style="list-style-type: none"> ➤ Various development opportunities for staff throughout the year including Personal Impact with Confidence, Understanding Change, Mental Health Awareness for Managers / Supervisors, Report Writing, Communicating with Conviction, Building Resilience, Leader & Manager as Coach, Association of Chief Officers of Scottish Voluntary Organisations (ACOSVO) Leadership Exchange, Understanding Leadership, Asking Effective Questions, Smarter Working, Team Development, Collective Leadership Festival, Climate Change webinar, FOI Panel Training, Customer Training series with Microsoft, Self Harm Awareness, Crucial Accountability, Model for Improvement Virtual Bootcamps ➤ Emergency Response Management activation of the Generic Emergency Plan, including Aberdeen Health and Social Care Partnership ➤ Active participation in the Grampian Local Resilience Partnership and its Working Groups ➤ First annual review of Risk Appetite Statement (RAS) at Risk Board and subsequent update to the RAS approved by Audit, Risk and Scrutiny Committee on 22 February 2022 ➤ Cluster Risk Registers and Assurance Maps reported to each Committee ➤ Regular Financial Monitoring reports to City Growth and Resources Committee ➤ Annual review of ACC Credit Rating by Moody's reporting affirmation of the A1 rating, with an economic outlook of 'stable', in line with the recent changes to the UK's rating. The credit profile reflects a strong institutional framework, a strong track record of operating performance and a wealthy local economy ➤ Approval of the Medium Term Financial Strategy ➤ Agreement for a report on the Financial Resilience Framework to be provided in the annual Budget report to Council to support financial decision making ➤ Review of Performance Management Framework to evidence the delivery of better outcomes – presented to Strategic Commissioning Committee in October 2021 ➤ Regular performance reports presented to each Committee ➤ Updates to Risk Management Guidance, Committee Report, Business Case and Executive Board templates and guidance documentation to reflect Risk Appetite Statement – work completed, to be introduced April 2022 ➤ Implementation of risk appetite statement supported by training and engagement activities for Committees, Elected Members and Officers, including the Leadership Forum and Risk Champions ➤ Process established to identify and record and report risks contained within Strategy Documents ➤ Development of Risk Horizon Scanning processes and reporting to Risk Board ➤ Embedding the roles and activities of the Policy Group across the organisation including the Executive Boards ➤ Design and roll-out of health and safety Manager's Portal within Assurance 365 to track audits, fire risk assessments, compliance monitoring, workplace inspections and incident investigations ➤ 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 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 ➤ 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 ➤ Revenue implications of capital investment opportunities identified and agreed with the Chief Officer – Finance to support the Council's scenario planning - completed and supporting the 22/23 budget process |

| CIPFA Principle of Good Governance | Sources of Assurance 2021/22 |
|--|---|
| <p>G - Implementing good practices in transparency, reporting and audit to deliver effective accountability</p> | <ul style="list-style-type: none"> ➤ Work undertaken in relation to unknown aspects arising from the pandemic and additional costs that emerged in respect of the capital programme, and consideration of how the Council creates flexibility in the capital programme to increase contingencies - completed and supporting the 22/23 budget process ➤ Roll out of Counter Fraud training and completion of Council-wide risk assessment |
| | <ul style="list-style-type: none"> ➤ Revised Scheme of Governance approved in February 2022, taking on board feedback gathered from officers and Members through the year ➤ 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 ➤ Additional supplemental performance reporting to committees scheduled, as appropriate, to provide timely and full analysis in key areas e.g. annual educational attainment performance ➤ Ongoing work for 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 ➤ 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 ➤ 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 embedded into governance with a role for Audit Risk and Scrutiny Committee, CMT and Risk Board. Action planning embedded into risk management of the Institutional Financial Resilience risk ➤ Implementation of recommendations of financial resilience risk internal audit |

SECTION 3 MONITORING IMPLEMENTATION AND FUTURE DEVELOPMENTS

In 2022/23 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 2022/23.

Table B

| CIPFA Principle of Good Governance | Primary Actions Planned 2022/23 |
|---|--|
| A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | <ul style="list-style-type: none"> ➤ Annual Scheme of Governance Review, including any changes required following the May 2022 local government elections ➤ Delivery of May 2022 Local Government Elections ➤ Statutory Council meeting including required reports around committee composition and appointment of members ➤ Preparation of next annual Committee Effectiveness Reports ➤ Review and update of key policies and strategies including key enabling strategies for Governance, Workforce, Estates, Early Intervention and Prevention, and Customer, Data and Digital ➤ Monitoring of reports by lawyer, legal adviser at each committee meeting ➤ Legislation tracker and horizon scanning ➤ Presentation of Information Governance Annual Report to Audit, Risk and Scrutiny Committee |
| B - Ensuring openness and comprehensive stakeholder engagement | <ul style="list-style-type: none"> ➤ Customer Feedback Team and Access to Information Team will continue to engage and support services to drive improvement in the quality and speed of responses to customers ➤ Integrated access approach with Housing Management and with Police Scotland to streamline access to services and enhanced partnership working will remain an areas of focus for 2022/23 ➤ Checks to ensure that all reports evidence that an Integrated Impact Assessment has been appropriately considered by the author ➤ We Care Charter improvement activity will remain an organisation wide focus for 2022/23 ➤ Further work to be undertaken with partners to establish commitment to the governance of the Net Zero Vision and Infrastructure Plan ➤ Consideration of report on progress with a city-wide campaign using social media, Community Planning Aberdeen, Net Zero Leadership Board, Aberdeen City Council's partners and business associates to promote Aberdeen City Council's Climate Change Plan, reflecting the significance of the COP26 conference in November 2021 ➤ Develop and implement an engagement plan to help people understand the impacts of climate change for Aberdeen and what sectors can do to prepare ➤ Education Operational Delivery Committee to consider initiatives and ideas from children and young people in respect of climate change, following pupil COP26 style event held in March 2022, and funding agreed at Council Budget meeting March 2022 to take forward these initiatives ➤ In conjunction with relevant stakeholders, exploration of options towards developing a locality-based approach to deliver net zero and adaptation, taking into account allied approaches and commitments, such as locality plans, local place plans, 20-minute neighbourhoods, etc., and to begin this process with a pilot reporting both back to Council in or before March 2023 ➤ Ongoing engagement exercise on the future of the George Street area, with next steps including a full engagement programme to inform preparation of a mini masterplan to highlight renewal projects for the area and with wider area connectivity |

| CIPFA Principle of Good Governance | Primary Actions Planned 2022/23 |
|---|---|
| <p>C - Defining outcomes in terms of sustainable economic, social and environmental benefits</p> | <ul style="list-style-type: none"> ➤ Further engagement in relation to the Beach Masterplan as follows:- <ul style="list-style-type: none"> • Feedback calls to all the Primary 6 classes who took part in the classroom exercises in October • A 'postcard back' exercise to the high schools/youth groups/others invited to take part in the 'send a postcard exercise' – including a QR code for the feedback video • More in-depth, geographically focused engagement with certain schools aimed to be undertaken on site with initial focus on Hanover Street, Seaton and St Peter's Schools • Further engagement with the other schools to see what existing groups are established and whether we can develop a Beach Ambassador network with pupils from schools across the city • Individual session to be held with Bucksburn ASN pupils on the Beach ➤ 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 and the impact of activity on outcomes through annual performance reports for community planning, Council and ALEOs. ➤ Improvement Plans in relation to performance across some housing services, following the Best Value Audit recommendations ➤ Annual reports to City Growth and Resources Committee on progress towards the objectives of both Net Zero Aberdeen Routemap and Aberdeen Adapts and also as part of the Council's existing statutory annual Climate Change Report ➤ Engagement with communities, business and third sector partners to develop and implement an engagement plan to support delivery of the objectives of the Routemap and Adaptation Framework, including: (a) The co-creation with Net Zero partners of a Net Zero Aberdeen microsite as a digital platform through which to promote the Routemap, Aberdeen Adapts and associated information, projects, etc. of the Council and partners; and (b) The development and promotion of a "Climate and Net Zero Aberdeen Pledge" ➤ Work with Aberdeen's Net Zero Leadership Board, Delivery Unit, the Local Resilience Partnership and other groups as appropriate to develop city climate change governance structure/s appropriate for meeting the aims of the Route-Map and Aberdeen Adapts Framework and report back in 2023 ➤ Plan on Community Wealth Building and local economic development to be presented to committee in June 2022 ➤ Report to Committee in June 2022 on uptake of Free School Meals ➤ Report to committee in August 2022 on the impact of Digital Support for Care Leavers funding ➤ Report to committee in August 2022 on the progress with the Child Poverty Action Plan ➤ Presentation of the Annual Procurement Performance Report to the Strategic Commissioning Committee, including an annual report on the incorporation of community benefit clauses into new contracts with a view to increasing the contribution of the Council to the Local Outcome Improvement Plan outcomes ➤ Consolidation of recent learning following Storms Frank, Arwen, Malik and Corrie in relation to further developing community resilience by working alongside communities to develop and embed community resilience plans ➤ Report to be presented to a future Council meeting on the impact of Participatory Budgeting in Aberdeen ➤ Developing a new reporting tool and website to demonstrate our work on tackling poverty in all its forms, and tracking our Participatory Budgeting approach to link revenue to spend to community determined outcomes. |
| <p>D - Determining the interventions necessary to</p> | <ul style="list-style-type: none"> ➤ Update of Transformation Blueprint and consideration and approval at Corporate Management Team in 2022 ➤ 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 |

| CIPFA Principle of Good Governance | Primary Actions Planned 2022/23 |
|--|--|
| <p>optimise the achievement of the intended outcomes</p> | <ul style="list-style-type: none"> ➤ Piloting an accredited course for young parents to aid them back into education or employment using Google classroom - Early discussions have taken place with partners that support young parents to scope what is already available and what may be being progressed through Improvement Projects to ensure the appropriate links are made and to avoid any duplication. Further discussions around progressing a young parents support group that could serve as a pipeline for referrals have taken place ➤ Continued interventions alongside partner organisations in relation to Afghan Resettlement Scheme, as well as any interventions required as a result of the current situation in Ukraine, including the approval of £25,000 to support Ukrainian refugees in Aberdeen ➤ Further to agreement at the Chief Officers Group to develop a Family Support Model to reduce the number of children and families requiring tier 3 interventions, an operating model will be implemented with Aberdeen City Council contributing to all four thematic groups ➤ The Scottish Funding Council (SFC) review of tertiary education and research recommended a new approach to skills planning and through new regional pathfinder areas. There is an aim to deliver a North East Pathfinder that would support the development of integrated approaches to education, training and skills development from the senior phase through tertiary education to employment that ultimately addresses the needs of the region's economy in the short, medium and longer term ➤ Building on the MoU agreed with the Centre for Homelessness Impact, agreement of a MoU with Department of Work and Pensions and Social Security Scotland to progress our homelessness prevention work. This will enhance commitment to tackling the drivers of homelessness such as unemployability, income management, and poverty and is aligned with our developing Family Support Model and the LOIP. ➤ Development of the Council's proposed delivery plan for 23/24 taking into account past and present performance against outcomes and commissioning intentions ➤ Development of Housing Support Service, combining the roles of Housing Officer and Support Officer, to provide a more consistent level of housing and support, through a single contact, to all tenancies in a specific area, with a concentration on those households who need some additional support to maintain their tenancy, including rent management ➤ Presentation of Early Learning and Childcare Delivery Plan to committee in June 2022 for approval ➤ Annual report on Outcomes for Care Experienced Children and Young People to be presented to committee in September 2022 ➤ Supporting communities in the preparation of Community Resilience Plans to enable them to be fully resilient in the face of weather events and other civil contingencies incidents ➤ Building business resilience for emergencies in the city in partnership with Aberdeen Inspired and Aberdeen and Grampian Chamber of Commerce ➤ Ongoing work for 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 ➤ The Council has submitted a funding bid to the National Institute of Healthcare Improvement to establish a "Health Determinants Research Collaborative" for the city. If successful the collaborative would be funded for 5 years with the primary purpose of supporting evidence based interventions to improve outcomes for citizens and communities. Should the bid be unsuccessful, the Council will build on existing collaboration to improve research and the use of evidence, but without the funding |
| <p>E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> | <ul style="list-style-type: none"> ➤ Presentation of five year Workforce Strategy within transformation blueprint 1.2 to August 2022 Council meeting for approval ➤ Consideration of any actions arising from workstreams / working groups established following Future of Work Survey ➤ Work to maintain and enhance collaborative approach taken across Council and with partners during pandemic ➤ Following May 2022 elections, there will be a drive to encourage Elected Member participation in development opportunities and training, and members briefings will be held to convey important understanding about the Council's continuing commitment to, and the implications of, good governance training for Elected Members ➤ Relevant senior managers to undertake Carbon Literacy training |

| CIPFA Principle of Good Governance | Primary Actions Planned 2022/23 |
|---|--|
| F - Managing risk and performance through robust internal control and strong public financial management | <ul style="list-style-type: none"> ➤ Carbon Literacy training to be included within the induction programme for Elected Members ➤ Ongoing activity to extend distributive leadership, for example less formal communications and decision-making authority, further empowering managers and staff ➤ Consideration 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 ➤ The Council will undertake a review of the Executive Board structure ➤ Development and delivery of Collective Leadership Programme on behalf of Community Planning Aberdeen to increase capacity of staff at all levels and across partner organisations to lead improvement ➤ Regular development opportunities for staff throughout the year through Learning Academy and Learning Forum ➤ Review of Performance Management Framework to evidence the delivery of better outcomes ➤ Monitor implementation of updates to Risk Management Guidance, Committee Report, Business Case and Executive Board templates and guidance documentation to reflect Risk Appetite Statement ➤ Introduction of revised committee report template and monitoring for any amendments required ➤ Continued development of the new Corporate Debt team to provide dedicated support to the Housing and Support service over rent arrears. ➤ Presentation of Council Delivery Plan, Housing Revenue Account, Common Good, General Fund Revenue and Capital Programme 22/23 reports to Council ➤ Governance Review of Trusts to be reported to Council in December 2022 ➤ Presentation of Flood Risk Management Strategies and Plans report to City Growth and Resources Committee in June 2022 ➤ Implementation of Aberdeen Adapts – updated climate adaptation framework ➤ Following approval of the approach to carbon budgeting for the Council Climate Change Plan, progression of a phased roll out of the carbon budget, including integration of carbon reduction in Service Re-design ➤ Engagement with the Council's current technology partner Microsoft and bp, its Joint Venture Partner, as well as relevant Chief Officers, on a process for managing and modelling climate data as well as filling existing data gaps with a report back on progress as part of the annual update report to Council ➤ Development of Business Continuity external website pages ➤ Creation of Persons at Risk Database for protecting vulnerable people during incidents and emergencies |
| G - Implementing good practices in transparency, reporting and audit to deliver effective accountability | <ul style="list-style-type: none"> ➤ 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. ➤ The volume of performance information to be reviewed to ensure the balance between the right amount of detail and the assurance required for accountability ➤ Three year internal audit plan for 2022/23 to 2025/26 ➤ Local Area Network providing schedule of external audits and inspections ➤ Appointment of new External Auditor for period 2023/24 to 2028/29 ➤ Adult Support and Protection Joint Inspection ➤ Further development of committee effectiveness reports. ➤ Monitoring and reporting of Capital Programme through Capital Programme Committee ➤ Development of assurance arrangements to monitor the governance systems and performance of the JV established by the Council and bp |

SECTION 4 SIGNIFICANT GOVERNANCE ISSUES ACTION PLAN

The Annual Governance Statement from 2020/2021 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 2020/2021. The Corporate Management Team further considers that there were no significant governance issues in 2021/2022.

Table C

| Issue Ref. | Issue Description | Source of Evidence | Action |
|------------|---------------------------------|--------------------|--------|
| | No new issues in 2021/22 | | |
| | 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 2022. 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.

Appendix A

Best Value Audit Action Plan

| Best Value Audit Recommendation | CIPFA Principle | Agreed actions and updates (as at 31 st March 2022) | Update |
|--|-----------------|--|---|
| <p>To help them carry out their Best Value responsibilities, elected members should:</p> <p>1. Look to build upon the broad consensus relating to the council and LOIP vision and priorities to explore the potential for creating more opportunities for cross party working</p> <p>2. Take advantage of the learning and development opportunities provided by the council</p> | E | <p>Continue to Develop:</p> <ul style="list-style-type: none"> • Members' Services Working Group focus on learning and development. (Sept 2021) • Personal Development Plans being developed for each elected member to feed into the identification of training needs and learning programme. • MS Teams site has been created to cover all aspects of elected member development providing a central point for up-to-date information and booking onto virtual sessions. (Dec 2021) • A method to record elected members CPD established to enable a single point of reference and for reporting purposes. | <ul style="list-style-type: none"> • Members' Services Working Group: Terms of Reference being revised to increase Learning & Development focus with new MSWG members/group for 2022-27. • MS Teams site: expanded to develop a sharepoint / internet site for Elected Members to host development resources. Subject Matter Experts empowered to be contributors to site, enabling them to upload and manage their own content. Content will be migrated from legacy intranet site, The Zone, to new Sharepoint-based site to set the right tone of modern, digital, collaborative elected members from the start. • Personal Development Plans: Members will be asked to undertake a Training Needs Analysis within first 8 weeks of undertaking role and to own their own PDP. Currently exploring digital options for this. • Recording Members' CPD: currently exploring digital options for this. |
| | | <p>To be developed:</p> <ul style="list-style-type: none"> • Refresh of Terms of Reference of Members' Services Working Group. (December 2021) • Induction programme for newly elected members in May 2022. (May 2022) | <p>Revised terms of reference for the Working Group were due to be approved by the Group on 26 February 2022 and these acknowledge the role to be played by the Group in providing guidance to officers on the learning and development of elected members, however the meeting of 26 February was postponed and so</p> |

| Best Value Audit Recommendation | CIPFA Principle | Agreed actions and updates (as at 31 st March 2022) | Update |
|--|-----------------|---|--|
| | | | <p>these will now be reported to the next meeting of the working group.</p> <p>The induction programme for newly elected members in May 2022 is now well developed and includes the first week in office and subsequent 30 days/8 weeks, using guidance from the Improvement Service and best practice from previous induction programmes. Feedback has also been sought from councillors elected since 2017 on the induction received by them.</p> |
| <p>To supplement current council and CPP performance reports, and aide public understanding and scrutiny, the council should produce an annual performance report more clearly reporting the longer-term progress made in improving outcomes. This should include a high-level multi-year trend summary of performance against priority indicators and supporting narrative.</p> | A, B, F | <p>Continue to develop:</p> <ul style="list-style-type: none"> Review of existing annual performance reports for the LOIP, Locality Plans and the Council Delivery Plan (nb. given the publication of the Population Needs Assessment and the refresh of the LOIP and Locality Plans in 2021, it is not proposed to prepare annual reports in 2021 for these). (March 2022) Preparation of Council Annual Report 2020/21 considering the review above. (October 2021) | <p>An annual report is prepared on the progress in delivering the Council Delivery Plan. As with the Community Planning “Annual Outcome Improvement Report”, this report includes in year highlights and progress in achieving the outcomes and improvement targets set out within the Council Delivery Plan. This is supplemented by the “Aberdeen Outcomes Framework” an interactive public website, which includes a very large amount of continuously updated data and information, giving detailed progress on the delivery of all agreed improvement projects as well as reporting on the outcomes which those projects support, and which gives access to continuously updated data on the 300+ performance measures which are included within the Council Delivery Plan.</p> |
| | | <p>To be developed:</p> <ul style="list-style-type: none"> Strategic Commissioning Committee October 2021 agreed revised Performance Management Framework and Annual | <p>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 2021/22, as well as comments and recommendations</p> |

| Best Value Audit Recommendation | CIPFA Principle | Agreed actions and updates (as at 31 st March 2022) | Update |
|--|-----------------|--|--|
| | | review of Council Delivery Plan with updated RAG status reporting. (October 2021) | made within Audit Scotland's Best Value Audit of the Council was approved at Strategic Commissioning Committee in October 2021. |
| The council should ensure that its longer-term financial plan is regularly reviewed (paragraph 86) and that it continues to develop how it reports aspects of the complex capital programme within their accounts. | F | <p>Continue to develop:</p> <ul style="list-style-type: none"> Continue to develop the long-term financial planning put in place in 2016, to bring it up to date and reflect current situation and scenarios. (Sept 2022) Year-end timetable and tasks to capture emerging accounting issues arising from the approved capital programme. (Dec 2021) | <p>Medium Term Financial Strategy to be refreshed and reported to Council by the end of August 2022. Community Engagement work has been undertaken to ensure insight into the priorities of our communities. This is further supplemented through the refresh of the Population Need assessment and the insights gathered in terms of the harm created by Covid-19 through the socio-economic rescue-plan. The refreshed LOIP, a 10-year plan, will inform the work undertaken to produce the Council's commissioning intentions for 2023/24 as well as the refresh of Council's own long-term strategies.</p> <p>Due to the ongoing impact of the pandemic on the time taken to progress construction projects, as well as cost inflation in construction, the City Growth and Resources Committee instructed that a recommendation be made on a sum to be included as a contingency in the Capital Programme to provide resilience to the programme. Project progress continues to be monitored through the Capital Programme Committee</p> <p>Profiling of the capital programme has been updated to reflect the latest information, including forecasting the impact of underspending in 2021/22 as a result of delays to construction on 2022/23 to 2026/27.</p> <p>Consideration has been given to ensuring that the Council's Capital Investment Plan is central to the delivery of future planning activities and is adaptable to the changing</p> |

| Best Value Audit Recommendation | CIPFA Principle | Agreed actions and updates (as at 31 st March 2022) | Update |
|--|-----------------|---|--|
| | | <p>To be developed:</p> <ul style="list-style-type: none"> • Early identification and consideration of accounting implications as part of the business case process. (March 2022) | <p>environment in which the Council operates, including ensuring that stretch outcomes in the LOIP and Council strategic framework are supported appropriately.</p> <p>When making capital decisions, careful consideration is also given to the Financial Resilience Framework and Prudential Indicators as this provides current and forward-looking data that aids understanding of the implications of capital investment.</p> <p>There will be consideration of investment opportunities that are available via a report back on the methodology and approach to bring investor ready proposals to market, including resource implications and timescales for developing opportunities described within the various economic and infrastructure strategies.</p> <p>The Chief Officer - Finance is represented at the Demand Management Control Board and Capital Board where business cases are given early consideration, as well as being consulted ahead of Board meetings and signing off on financial implications sections in the draft business cases.</p> |
| To fulfil its duties under the Community Empowerment Act 2015, the council should continue to consult with communities and articulate how it intends to meet its target to allocate one per cent of revenue funding through participatory budgeting. | B, C, D | <p>Continue to develop</p> <ul style="list-style-type: none"> • The delivery of our Engagement, Participation and Empowerment Strategy. • YouDecide approach to Participatory Budgeting and our Fairer Aberdeen Board to allocate funds to support community regeneration to meet our 1% target. (March 2023) | <p>Council Budget instruction in February 2022 for a report back on the impact of Participatory Budgeting in Aberdeen</p> <p>Development of a new reporting tool and website to demonstrate our work on tackling poverty in all its forms and tracking our Participatory Budgeting approach to link revenue to spend to community determined outcomes.</p> |

| Best Value Audit Recommendation | CIPFA Principle | Agreed actions and updates (as at 31 st March 2022) | Update |
|--|-----------------|---|--|
| <p>The council should carry out post project reviews of major projects, including capital developments, to ensure lessons can be learned timeously and applied to future projects.</p> | D, F | <p>Continue to develop:</p> <ul style="list-style-type: none"> • Close out Project Evaluation and Post Occupancy review and benefits realisation post Covid-19 impact. (June 2022) | <p>The Council is committed to carrying out post project reviews to learn lessons and inform future activity. While Covid-19 delayed the beginning, completion and opening of some recent developments, work is underway to ensure that formal post project reviews are timeously carried out for all major projects.</p> |
| | | <p>To be developed:</p> <ul style="list-style-type: none"> • Timing of project reviews and consideration of project type. (June 2022) • Lessons learned (hold points) throughout a project's life cycle. (June 2022) • Consideration of project reviews to capture all relevant issues and wrap together in a single document. (June 2022) | <p>As above comment.</p> |
| <p>The council should review the number and focus of their improvement projects to:</p> <ol style="list-style-type: none"> 1. focus on improving core services areas that support the longer-term ambitions of the LOIP; 2. reflect the views of residents; and 3. respond to short-term priority responses to Covid-19 | B, C, D | <p>Continue to develop:</p> <ul style="list-style-type: none"> • Scrutiny of core services performance through reporting to and review by Committees, quarterly reports to the Performance Board and ECMT, identifying formal improvement project as required. • The Housing Improvement Group will oversee a programme of required improvements in housing. (March 2023) • Void Property Management and Complaints Management action plans will be implemented and performance scrutinised. (October 2022) • The Tenant Participation and Engagement Strategy will be refreshed and implemented. • Tenant Participation Group and Tenant Groups will continue to scrutinise and drive performance improvement. (March 2023) • Commissioned Void Property repairs will be scrutinised and completed. (March 2022) | <p>Performance report presented each cycle to Committees, allowing scrutiny and challenge by Members, and Performance Board will continue to monitor and identify any additional improvement projects.</p> <p>Reports have been submitted to Operational Delivery Committee in September and January providing additional performance data and narrative on void property performance.</p> <p>Void property is a standing item on the monthly Performance Board.</p> <p>Commissioned contracts for void repairs have been agreed.</p> <p>A new letting standard has been agreed for all council properties, with Building Services and contractors now working to that standard.</p> |

| Best Value Audit Recommendation | CIPFA Principle | Agreed actions and updates (as at 31 st March 2022) | Update |
|---------------------------------|-----------------|---|--|
| | | <ul style="list-style-type: none"> <li data-bbox="808 544 1480 600">• Reporting of education service performance to Education Operational Delivery Committee (EODC). (November 2021) <li data-bbox="808 852 1518 962">• Put in place reporting arrangements to monitor the response to the recommendations of the Organisation for Economic Co-operation and Development on the Curriculum for Excellence. (September 2021) | <p data-bbox="1559 320 2051 459">Operational Delivery Committee agreed in January to implement a Choice Based Letting system to transform our allocations process. There have been regular meetings with tenant groups throughout the year.</p> <p data-bbox="1559 488 2051 539">A programme of resident led inspections has been developed, with two already undertaken.</p> <p data-bbox="1559 624 2051 1010">EODC in November 2021 considered an interim tracking report for the 2020-21 academic year, against the suite of Educational Improvement Journey Key Performance Indicator measures, supporting the Excellence and Equity agenda within the Aberdeen City Council National Improvement Framework Plan; which also outlined the progress of actions supporting the Education Improvement Journey presenting the pre-review outcomes from the 2021 Alternative Certification Model, releases provided through the Insight Tool, and Attendance and Exclusion information.</p> <p data-bbox="1559 1038 2051 1230">Initially reported to Education Operational Delivery Committee in September 2021, Chief Officer – Education instructed to keep Committee apprised of resultant changes in Scottish Government policy; and how changed national policies are being implemented locally.</p> |

| Best Value Audit Recommendation | CIPFA Principle | Agreed actions and updates (as at 31 st March 2022) | Update |
|---------------------------------|-----------------|--|--|
| | | <p>To be developed:</p> <ul style="list-style-type: none"> • Identification, through the Performance Board, of any additional improvement projects for 2022/23. (March 2022) • Review of LOIP and rationalisation of improvement projects to ensure the Council and Partnership are focused on priority issues for improvement • Revised CPA Improvement Programme to support delivery of the LOIP and achievement of the improvement aims over the next two years. | <p>This will be considered at the Performance Board from March 2022.</p> <p>Complete.</p> <p>Complete.</p> |

On behalf of Aberdeen City Council, 27 September 2022:

Angela Scott
Chief Executive

Councillor
Co-Leader of the Council

Remuneration Report

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

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

Remuneration:

The remuneration of councillors is regulated by the Local Governance (Scotland) Act (Remuneration) Amendment Regulations 2021 (SSI No. 2021/18) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2020 (SSI No. 2020/26). 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 2021/22, the salary of the Leader of Aberdeen City Council is £43,412. 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, £32,560.

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 £486,049. 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, £32,560, with the remaining Senior Councillors receiving 75 per cent of that sum, £24,420.

In 2021/22, Aberdeen City Council had 16 Senior Councillor posts. The salary and allowances paid to them totalled £454,035 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.

| | 2020/21 | 2021/22 | | 2020/21 | 2021/22 |
|---------------------|---------------------|---------|----------------------------|---------------------|---------|
| Remuneration Band | Number of Employees | | Remuneration Band (cont'd) | Number of Employees | |
| £50,000 - £54,999 | 230 | 232 | £155,000 - £159,999 | - | - |
| £55,000 - £59,999 | 171 | 152 | £160,000 - £164,999 | 2 | 1 |
| £60,000 - £64,999 | 55 | 58 | £165,000 - £169,999 | - | - |
| £65,000 - £69,999 | 25 | 40 | £170,000 - £174,999 | - | - |
| £70,000 - £74,999 | 6 | 7 | £175,000 - £179,999 | - | - |
| £75,000 - £79,999 | 6 | 8 | £180,000 - £184,999 | 1 | - |
| £80,000 - £84,999 | 2 | 5 | £185,000 - £189,999 | - | - |
| £85,000 - £89,999 | 16 | 16 | £190,000 - £194,999 | - | - |
| £90,000 - £94,999 | 7 | 5 | £200,000 - £204,999 | - | - |
| £95,000 - £99,999 | 1 | 1 | £205,000 - £209,999 | - | - |
| £100,000 - £104,999 | - | - | £210,000 - £214,999 | - | - |
| £105,000 - £109,999 | 1 | - | £220,000 - £224,999 | - | - |
| £110,000 - £114,999 | 1 | 1 | £225,000 - £229,999 | - | - |
| £115,000 - £119,999 | 1 | 1 | £230,000 - £234,999 | - | - |
| £120,000 - £124,999 | 3 | 1 | £235,000 - £239,999 | - | - |
| £125,000 - £129,999 | - | 3 | £240,000 - £244,999 | - | - |
| £130,000 - £134,999 | - | - | £245,000 - £249,999 | - | - |
| £135,000 - £139,999 | - | - | £250,000 - £254,999 | - | - |
| £140,000 - £144,999 | - | - | £255,000 - £259,999 | 1 | - |
| £145,000 - £149,999 | - | - | £260,000 - £264,999 | - | 1 |
| £150,000 - £154,999 | - | - | Total | 529 | 532 |

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 £130,000 (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.

| | 2020/21 £ | 2021/22 £ |
|--------------|----------------|------------------|
| Salaries | 982,516 | 1,041,555 |
| Allowances | - | - |
| Expenses | 5,344 | 20,291 |
| Total | 987,860 | 1,061,846 |

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 | | | | | |
|------------------------|-----------------------------------|---------|--|-----------|--------------------------------|----------------|--------------|----------------------|----------------|--------------|
| | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | | | 2021/22 | | |
| | | | | | Benefits to Employee | Strain on Fund | Total | Benefits to Employee | Strain on Fund | Total |
| £0 - £19,999 | - | - | 25 | 10 | 158 | 87 | 245 | 39 | 57 | 96 |
| £20,000 - £39,999 | - | - | 11 | 6 | 168 | 113 | 281 | 50 | 108 | 158 |
| £40,000 - £59,999 | - | - | 2 | 2 | 27 | 74 | 101 | 56 | 48 | 104 |
| £60,000 - £79,999 | - | - | 3 | 3 | 88 | 106 | 194 | 105 | 100 | 205 |
| £80,000 - £99,999 | - | - | 2 | - | 27 | 148 | 175 | - | - | - |
| £100,000 - £149,999 | - | - | 2 | 2 | 28 | 230 | 258 | 40 | 177 | 217 |
| £150,000 - £199,999 | - | - | 1 | - | 13 | 143 | 156 | - | - | - |
| £200,000 - £249,999 | - | - | 1 | 1 | 8 | 199 | 207 | 16 | 214 | 230 |
| £250,000 - £299,999 | - | - | - | - | - | - | - | - | - | - |
| £300,000 - £349,999 | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | 47 | 24 | 517 | 1,100 | 1,617 | 306 | 704 | 1,010 |

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.

| 2020/21 | | | 2021/22 | | | | Notes |
|-------------------------|------------------------|--|----------------------------------|---|---------------------|-------------------------|-------|
| Total Remuneration £ | Councillor Name | Responsibility | Salary, Fees and Allowances £ | Non-Cash Expenses & Benefits-In-Kind * £ | Other Expenses £ | Total Remuneration £ | |
| 41,749 | Jennifer Laing | Council Leader | 43,412 | 79 | 523 | 44,014 | 1 |
| 31,327 | Douglas Lumsden | Co Council Leader (until 12 May 2021) | 3,764 | 9 | - | 3,773 | |
| 31,333 | Barney Crockett | Lord Provost | 32,560 | 195 | 8,358 | 41,113 | |
| 31,955 | Jennifer Stewart | Depute Lord Provost | 32,563 | 80 | 334 | 32,977 | 2 |
| 31,327 | Ryan Houghton | Convener, City Growth and Resources (from 13 May 2021) | 32,560 | 79 | 183 | 32,822 | 3 |
| 31,327 | Alex Nicoll | Convener, Audit, Risk and Scrutiny | 32,560 | 79 | - | 32,639 | |
| 23,436 | Ian Yuill | Vice Convener, Audit, Risk and Scrutiny | 24,420 | - | - | 24,420 | |
| 31,327 | Yvonne Allan | Convener, Staff Governance | 32,560 | 79 | - | 32,639 | 4 |
| 23,515 | Philip Bell | Convener, Operational Delivery (from 13 May 2021) | 31,619 | 79 | 49 | 31,747 | 5 |
| 23,515 | Freddie John | Vice Convener, Operational Delivery (from 13 May 2021) | 24,420 | 79 | - | 24,499 | 6 |
| 31,327 | John Wheeler | Convener, Strategic Commissioning (from 13 May 2021) | 32,560 | 79 | 125 | 32,764 | 7 |
| 23,535 | Lesley Dunbar | Vice Chair of the Integration Joint Board (from 28 May 2021) | 24,420 | 84 | - | 24,504 | 8 |
| 24,151 | Gordon Graham | Vice Convener, Operational Delivery | 24,420 | -218 | - | 24,202 | 9 |
| 32,424 | John Reynolds | Convener, Licensing Committee | 32,560 | 79 | 3,834 | 36,473 | 10 |
| 31,327 | Marie Boulton | Convener, Capital Programme | 32,560 | 79 | - | 32,639 | 11 |
| 23,436 | Ross Grant | Vice Convener, Strategic Commissioning | 24,420 | - | - | 24,420 | 12 |
| 23,520 | Sarah Duncan | NHS/Social Care Integration Joint Board & Social Care Spokesperson (until 27 May 2021) | 3,807 | 12 | - | 3,819 | |
| 23,515 | Mohammad Tauqeer Malik | Convener, Education Operational Delivery (from 13 May 2021) | 31,619 | 79 | 3,122 | 34,820 | 13 |
| 17,933 | Claire Imrie | Vice Convener, Education Operational Delivery (from 13 May 2021) | 23,748 | 79 | 125 | 23,952 | 14 |
| - | Sandra MacDonald | Vice Convener, Operational Delivery (from 13 May 2021) | 21,597 | 70 | - | 21,667 | |
| 531,979 | Total | | 542,149 | 1,101 | 16,653 | 559,903 | |

* Credit relates to a refund for cancellation of broadband services paid in 2020/21.

| | |
|-----------------|--|
| Note 1: | Councillor Laing is also Convener of Urgent Business Committee and Aberdeen City Region Deal and Vice Convener, City Growth and Resources. |
| Note 2: | Councillor Stewart is also Convener Public Protection and Vice Convener Planning Development Management. |
| Note 3: | Prior to his appointment to Convener, City Growth and Resources Councillor Houghton was Business Manager. Councillor Houghton is also Convener, Community Asset Transfer and Vice Convener Urgent Business and Staff Governance. |
| Note 4: | Councillor Allan is also Convener Appeals. |
| Note 5: | Prior to his appointment to Convener, Operational Delivery Councillor Bell was Vice Convener, Operational Delivery. As such a full year disclosure has been made. |
| Note 6: | Prior to his appointment to Vice Convener, Operational Delivery Councillor John was Vice Convener, Strategic Commissioning. |
| Note 7: | Prior to his appointment to Convener, Commissioning Councillor Wheeler was Convener, Operational Delivery. As such a full year disclosure has been made. Councillor Wheeler is |
| Note 8: | Prior to her appointment to Vice Chair Integration Joint Board Councillor Dunbar was Vice Convener of Public Protection. As such a full year disclosure has been made. |
| Note 9: | Councillor Graham is also Vice Convener, Capital Programme and Public Protection. |
| Note 10: | Councillor Reynolds is also Vice Convener Pensions Committee. |
| Note 11: | Councillor Boulton is also Convener Planning Development Management. |
| Note 12: | Prior to his appointment to Vice Convener, Commissioning Councillor Grant was Vice Convener, City Growth and Resources. As such a full years' disclosure has been made. |
| Note 13: | Prior to his appointment to Convener, Education Operational Delivery Councillor Tauqeer Malik was Convener, Pensions. He is also Vice Convener Licensing and Depute Business Manager. |
| Note 14: | Prior to her appointment to Vice Convener, Education Operational Delivery Councillor Imrie was Mental Health Spokeperson therefore a full year disclosure has been made. |

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

| 2020/21 | 2020/21 | | 2021/22 | 2021/22 | | | | | | |
|---------------------------|-------------------------|--|---|---------------------------|----------------------------------|--|--------------------------|--------------------------------------|-------|--|
| Full Time Equivalent £ | Total Remuneration £ | Name | Post Title | Full Time Equivalent £ | Salary, Fees and Allowances £ | Compensation for Loss of Employment £ | Total Remuneration* £ | Returning Officer Fee Note 1 £ | Notes | |
| 160,628 | 160,628 | Angela Scott | Chief Executive | 161,428 | 161,628 | - | 161,628 | | | |
| 124,763 | 124,763 | Andy MacDonald | Director of Customer Services | 125,563 | 125,763 | - | 125,763 | | | |
| 88,165 | 88,165 | Gale Beattie | Director of Commissioning (from 1 July 2021) | 125,563 | 94,172 | - | 94,172 | | | |
| 124,763 | 124,763 | Rob Polkinghorne | Chief Operating Officer | 125,563 | 125,763 | - | 125,763 | | | |
| 124,763 | 124,763 | Steven Whyte | Director of Resources | 125,563 | 125,763 | - | 125,763 | | | |
| 92,017 | 92,017 | Jonathan Belford | Chief Officer - Finance | 92,817 | 93,017 | - | 93,017 | | | |
| 92,017 | 92,017 | Fraser Bell | Chief Officer - Governance (Monitoring Officer) | 92,817 | 97,813 | - | 97,813 | 4,796 | | |
| 88,165 | 88,165 | Richard Sweetnam | Chief Officer - City Growth | 88,965 | 22,241 | - | 22,241 | | 2 | |
| 92,017 | 92,017 | Graeme Simpson | Chief Social Work Officer | 92,817 | 93,017 | - | 93,017 | | | |
| 92,017 | 91,844 | Eleanor Sheppard | Chief Education Officer | 92,817 | 93,017 | - | 93,017 | | | |
| | 1,079,142 | Total | | | 1,032,194 | - | 1,032,194 | | | |
| | * | Remuneration paid in 2021/22 includes arrears of pay relating to the pay award. Additionally, some senior employees have carried out duties at Parliamentary Elections held during the year. Remuneration above includes any payment received for these duties. | | | | | | | | |
| | Note 1: | The total remuneration includes Returning Officer (RO) fees. An RO is the person responsible for administering a parliamentary election. These duties are separate from any duties undertaken as a local government employee. The total RO fee is regulated by The Scottish Parliament Elections (Returning Officer Fees and Charges) Amendment Regulations 2021 (SSI 2021/165). The RO can appoint one or more persons to discharge any or all of the functions of the post but cannot delegate personal responsibility for delivering the election. Fraser Bell is the RO for Aberdeen City Council and during 20/21 he delegated some of the RO duties/fees to 2 other employees. | | | | | | | | |
| | Note 2: | Chief Officer- City Growth ceased reporting directly to Chief Executive on 30 June following the commencement of Director of Commissioning. As such only remuneration to 30 June is reported. | | | | | | | | |

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.

| 2020/21 | | | 2021/22 | | | |
|-------------------------|--------------------|--|-------------------------------------|--|--|----------------------------|
| Total Remuneration £ | Name | Post Title | Salary, Fees and Allowances £ | Compensation for Loss of Office £ | Benefits Other Than in Cash £ | Total Remuneration £ |
| 98,100 | Alistair Robertson | Managing Director Sport Aberdeen Ltd | 98,700 | - | - | 98,700 |
| - | Pamela McKenzie | Managing Director Bon Accord Support Services Ltd (from 1 August 2021) | 69,771 | - | - | 69,771 |
| 56,017 | Gail Woodcock | Acting Managing Director Bon Accord Support Services Ltd (until 31 July 2021) | 37,241 | - | - | 37,241 |
| 42,841 | Alexis Chappell | Managing Director Bon Accord Support Services Ltd (until 31 August 2020) | - | - | - | - |
| 196,958 | Total | | 205,712 | - | - | 205,712 |

Pension Benefits

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

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

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

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

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

The tiers and members contribution rates are as follows:

| Pensionable pay (2020/2021) | Contribution rate 2020/21 | Pensionable pay (2021/2022) | Contribution rate 2021/22 |
|---|----------------------------------|---|----------------------------------|
| On earnings up to and including £22,200 | 5.5% | On earnings up to and including £22,300 | 5.5% |
| On earnings above £22,201 and up to £27,100 | 7.25% | On earnings above £22,301 and up to £27,300 | 7.25% |
| On earnings above £27,101 and up to £37,200 | 8.5% | On earnings above £27,301 and up to £37,400 | 8.5% |
| On earnings above £37,201 and up to £49,600 | 9.5% | On earnings above £37,401 and up to £49,900 | 9.5% |
| On earnings of £49,601 and above | 12% | On earnings of £49,901 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 1/49th of pensionable pay (from 2009 to 2015 the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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

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

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

Pension Disclosures:

Table 7: Details of pension contributions made by the Council to the North East Scotland Pension Fund (NESPF) on behalf of Senior Councillors, and their individual pension entitlements as at 31 March 2022.

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 2022.

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

Table 7: Pension Benefits – Senior Councillors

| Councillor Name | Responsibility | In-year Pension Contributions by ACC | | Accrued Pension Benefits | | |
|------------------------|--|--------------------------------------|--------------------------------|--------------------------|------------------------------|--------------------------|
| | | For year to 31 March 2021 £ | For year to 31 March 2022 £ | | As at 31 March 2022 £'000 | Difference from £'000 |
| Jennifer Laing | Council Leader | 8,041 | 7,771 | Pension Lump Sum | 11 2 | 2 - |
| Douglas Lumsden | Co Council Leader (until 12 May 2021) | 6,031 | 674 | Pension Lump Sum | 3 | 1 |
| Barney Crockett | Lord Provost | 6,031 | 5,828 | Pension Lump Sum | 10 2 | 2 - |
| Jennifer Stewart | Depute Lord Provost | 6,031 | 5,829 | Pension Lump Sum | 7 2 | 1 - |
| Ryan Houghton | Convener, City Growth and Resources (from 13 May 2021) | 6,031 | 5,828 | Pension Lump Sum | 3 | 1 |
| Ian Yuill | Vice Convener, Audit, Risk and Scrutiny | 4,523 | 4,371 | Pension Lump Sum | 7 2 | 1 - |
| Yvonne Allan | Convener, Staff Governance | 6,031 | 2,914 | Pension Lump Sum | 11 2 | 1 - |
| Philip Bell | Convener, Operational Delivery (from 13 May 2021) | 4,523 | 5,660 | Pension Lump Sum | 3 | 1 |
| Freddie John | Vice Convener, Operational Delivery (from 13 May 2021) | 4,523 | 4,371 | Pension Lump Sum | 2 | - |
| John Wheeler | Convener, Strategic Commissioning (from 13 May 2021) | 6,031 | 5,828 | Pension Lump Sum | 3 | 1 |
| Lesley Dunbar | Vice Chair of the Integration Joint Board (from 28 May 2021) | 4,523 | 4,371 | Pension Lump Sum | 5 | 1 |
| Gordon Graham | Vice Convener, Operational Delivery | 4,523 | 4,371 | Pension Lump Sum | 7 2 | 1 - |
| John Reynolds | Convener, Licensing Committee | 6,031 | 5,828 | Pension Lump Sum | 11 2 | 2 - |
| Marie Boulton | Convener, Capital Programme | 6,031 | 5,828 | Pension Lump Sum | 9 2 | 2 - |
| Ross Grant | Vice Convener, Strategic Commissioning | 4,523 | 4,371 | Pension Lump Sum | 5 | 1 |
| Sarah Duncan | NHS/Social Care Integration Joint Board & Social Care Spokesperson (until 27 May 2021) | 4,523 | 682 | Pension Lump Sum | 2 | - |
| Mohammad Tauqeer Malik | Convener, Education Operational Delivery (from 13 May 2021) | 4,523 | 5,660 | Pension Lump Sum | 4 | 1 |
| Claire Imrie | Vice Convener, Education Operational Delivery (from 13 May 2021) | 3,446 | 4,251 | Pension Lump Sum | 2 | - |
| Sandra MacDonald | Vice Convener, Operational Delivery (from 13 May 2021) | - | 3,866 | Pension Lump Sum | 2 | 2 |
| Total | | 95,919 | 88,302 | Pension Lump Sum | 107 16 | 21 - |

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 8: Pension Benefits – Senior Employees

| Name | Post Title | In-year Pension Contributions by ACC | | Accrued Pension Benefits | | |
|------------------|---|--------------------------------------|-----------------------------------|--------------------------|---------------------------------|---|
| | | For year to 31 March 2021 £ | For year to 31 March 2022 £ | | As at 31 March 2022 £'000 | Difference from 31 March 2021 £'000 |
| Angela Scott | Chief Executive | 31,001 | 28,931 | Pension | 79 | 3 |
| Andy MacDonald | Director of Customer Services | 24,079 | 22,512 | Pension | 32 | 2 |
| | | | | Lump Sum | 17 | - |
| Gale Beattie | Director of Commissioning (from 1 July 2021) | 17,016 | 16,857 | Pension | 38 | 9 |
| | | | | Lump Sum | 58 | 14 |
| Rob Polkinghorne | Chief Operating Officer | 23,033 | 20,571 | Pension | 10 | 2 |
| Steven Whyte | Director of Resources | 24,079 | 22,512 | Pension | 46 | 2 |
| | | | | Lump Sum | 62 | 1 |
| Jonathan Belford | Chief Officer - Finance | 17,759 | 16,650 | Pension | 40 | 2 |
| | | | | Lump Sum | 62 | 1 |
| Fraser Bell | Chief Officer - Governance (Monitoring Officer) | 17,759 | 17,509 | Pension | 21 | 3 |
| Richard Sweetnam | Chief Officer - City Growth | 17,016 | 3,981 | Pension | 29 | 2 |
| | | | | Lump Sum | 22 | - |
| Graeme Simpson | Chief Social Work Officer | 17,760 | 16,650 | Pension | 37 | 3 |
| | | | | Lump Sum | 48 | - |
| Eleanor Sheppard | Chief Education Officer | 21,124 | 21,394 | Pension | 34 | 2 |
| | | | | Lump Sum | 72 | 1 |
| TOTAL | | 210,626 | 187,567 | Pension | 366 | 30 |
| | | | | Lump | 341 | 17 |

- 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 2021 £ | For year to 31 March 2022 £ | | As at 31 March 2022 £'000 | Difference from 31 March 2021 £'000 |
| Alistair Robertson | Managing Director Sport Aberdeen Ltd | 9,360 | 9,360 | Pension | 61 | 2 |
| Pamela MacKenzie | Managing Director Bon Accord Support Services Ltd (from 1 August 2021) | - | 13,754 | Pension | - | - |
| Gail Woodcock | Acting Managing Director Bon Accord Support Services Ltd (until 31 July 2021) | 8,515 | 6,578 | Pension | - | - |
| Alexis Chappell | Managing Director Bon Accord Support Services Ltd (until 31 August 2020) | 8,329 | - | Pension | - | - |
| Total | | 26,204 | 29,692 | Total | 61 | 2 |

Angela Scott
Chief Executive

Councillor
Co-Leader of the Council

PRIMARY FINANCIAL STATEMENTS

Movement in Reserves Statement

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

| | General Fund Balance £'000 | Housing Revenue Account £'000 | Statutory and Other Reserves £'000 | Capital Grants & Receipts Unapplied Account £'000 | Total Usable Reserves £'000 | Total Unusable Reserves £'000 | Total Council Reserves £'000 |
|---|-------------------------------------|--|---|---|-----------------------------------|-------------------------------------|------------------------------------|
| Balance at 31 March 2020 brought forward | (35,294) | (12,808) | (11,377) | (482) | (59,961) | (1,156,006) | (1,215,967) |
| Movement in Reserves during 2020/21 | | | | | | | |
| 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 |
| Net (Increase)/Decrease before Transfers to Earmarked Reserves | (33,803) | (1,508) | (2,380) | (1,748) | (39,439) | (157,762) | (197,201) |
| Transfers to/(from) Reserves | (2,506) | (399) | 1,857 | 1,048 | 0 | 0 | 0 |
| (Increase)/Decrease in Year | (36,309) | (1,907) | (523) | (700) | (39,439) | (157,762) | (197,201) |
| Balance at 31 March 2021 | (71,603) | (14,715) | (11,900) | (1,182) | (99,400) | (1,313,768) | (1,413,168) |

| | General Fund Balance £'000 | Housing Revenue Account £'000 | Statutory and Other Reserves £'000 | Capital Grants & Receipts Unapplied Account £'000 | Total Usable Reserves £'000 | Total Unusable Reserves £'000 | Total Council Reserves £'000 |
|---|-------------------------------------|--|---|---|--|-------------------------------------|---|
| Balance at 31 March 2021 brought forward | (71,603) | (14,715) | (11,900) | (1,182) | (99,400) | (1,313,768) | (1,413,168) |
| Movement in Reserves during 2021/22 | | | | | | | |
| Total Comprehensive Income & Expenditure | 59,033 | 26,458 | 0 | 0 | 85,491 | (107,572) | (22,081) |
| Adjustments between accounting basis & funding basis under regulations (note 5) | (64,830) | (27,398) | (1,045) | (1,045) | (94,318) | 94,318 | 0 |
| Net (Increase)/Decrease before Transfers to Earmarked Reserves | (5,797) | (940) | (1,045) | (1,045) | (8,827) | (13,254) | (22,081) |
| Transfers to/(from) Reserves | 5,248 | 440 | (7,102) | 1,414 | 0 | 0 | 0 |
| (Increase)/Decrease in Year | (549) | (500) | (8,147) | 369 | (8,827) | (13,254) | (22,081) |
| Balance at 31 March 2022 | (72,152) | (15,215) | (20,047) | (813) | (108,227) | (1,327,022) | (1,435,249) |

Comprehensive Income and Expenditure Statement

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

| 2020/21 | | | | 2021/22 | | |
|----------------------------|-----------------------|--------------------------|--|----------------------------|-----------------------|--------------------------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| 355,076 | (69,606) | 285,470 | Operations | 381,931 | (82,986) | 298,945 |
| 102,340 | (60,378) | 41,962 | Customer | 98,174 | (55,212) | 42,962 |
| 41,806 | (12,468) | 29,338 | Commissioning | 63,498 | (27,915) | 35,583 |
| 125,703 | (105,681) | 20,022 | Resources | 140,451 | (96,891) | 43,560 |
| 258,192 | (163,936) | 94,256 | Integration Joint Board | 273,245 | (167,553) | 105,692 |
| 24,853 | (2,761) | 22,092 | Corporate | 40,926 | (8,797) | 32,129 |
| 142,707 | (103,088) | 39,619 | Housing Revenue Account | 142,027 | (103,546) | 38,481 |
| 1,050,677 | (517,918) | 532,759 | Cost of Services | 1,140,252 | (542,900) | 597,352 |
| 349 | (1,495) | (1,146) | Other Operating Expenditure (note 8) | 1,396 | 0 | 1,396 |
| 97,076 | (47,541) | 49,535 | Financing and Investment Income and Expenditure (note 9) | 112,697 | (61,649) | 51,048 |
| 0 | (590,503) | (590,503) | Taxation and Non Specific Grant Income (note 10) | 0 | (564,305) | (564,305) |
| 1,148,102 | (1,157,457) | (9,355) | (Surplus) or Deficit on Provision of Services | 1,254,345 | (1,168,854) | 85,491 |
| | | 24,249 | (Surplus)/deficit on revaluation of Property, Plant and Equipment assets | | | (77,084) |
| | | (212,095) | Actuarial (gains)/losses on pension assets/liabilities | | | (30,488) |
| | | (187,846) | Other Comprehensive Income and Expenditure | | | (107,572) |
| | | (197,201) | Total Comprehensive Income and Expenditure | | | (22,081) |

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

| 1 April 2020 £'000 | 31 March 2021 £'000 | | Note | 31 March 2022 £'000 |
|-------------------------------|--------------------------------|--------------------------------------|-------------|--------------------------------|
| 2,405,949 | 2,386,544 | Property, Plant & Equipment | 28 | 2,560,355 |
| 197,819 | 198,068 | Heritage Assets | 27 | 196,272 |
| 195,545 | 191,968 | Investment Property | 26 | 150,617 |
| 17,090 | 16,343 | Long Term Investments | 38 | 15,503 |
| 7,539 | 742 | Long Term Debtors | 38 | 657 |
| 2,823,942 | 2,793,665 | Long Term Assets | | 2,923,404 |
| | | | | |
| 101,542 | 119,699 | Cash and Cash Equivalents | 17 | 102,593 |
| 50,454 | 40,277 | Short Term Investments | 38 | 20,025 |
| 96,981 | 139,389 | Short Term Debtors | 33 | 113,029 |
| 2,017 | 2,071 | Inventories | 32 | 2,906 |
| 15,200 | 13,700 | Assets Held for Sale | 31 | 11,993 |
| 266,194 | 315,136 | Current Assets | | 250,546 |
| | | | | |
| (208,162) | (232,391) | Short Term Borrowing | 38 | (223,359) |
| (99,260) | (117,073) | Short Term Creditors | 34 | (122,607) |
| (2,253) | (549) | Short Term Provisions | 35 | (3,533) |
| (3,020) | (4,638) | PPP Short Term Liabilities | 30 | (4,527) |
| (6,129) | (7,423) | Accumulated Absences Account | 13 | (7,224) |
| (712) | (2,909) | Grants Receipts in Advance - Revenue | 37 | (1,438) |
| (25,104) | (21,047) | Grants Receipts in Advance - Capital | 37 | (31,257) |
| (344,640) | (386,030) | Current Liabilities | | (393,945) |

| 1 April 2020 £'000 | 31 March 2021 £'000 | | Note | 31 March 2022 £'000 |
|-------------------------------|--------------------------------|----------------------------------|-------------|--------------------------------|
| (1,026,809) | (1,003,256) | Long Term Borrowing | 38 | (1,043,105) |
| (57,602) | (57,141) | Finance Lease | 25 | (56,643) |
| (613) | (551) | Long Term Provisions | 35 | (551) |
| (135,202) | (130,565) | PPP Long Term Liabilities | 30 | (126,038) |
| (309,303) | (118,090) | Pension Liabilities | 22 | (118,419) |
| (1,529,529) | (1,309,603) | Long Term Liabilities | | (1,344,756) |
| | | | | |
| 1,215,967 | 1,413,168 | Net Assets | | 1,435,249 |
| | | | | |
| | | Usable Reserves: | | |
| (35,294) | (71,603) | General Fund Balance | | (72,152) |
| (12,808) | (14,715) | Housing Revenue Account | | (15,215) |
| (11,377) | (11,900) | Statutory and Other Reserves | | (20,047) |
| (482) | (1,182) | Capital Grants Unapplied Account | | (813) |
| (1,156,006) | (1,313,768) | Unusable Reserves | 13 | (1,327,022) |
| | | | | |
| (1,215,967) | (1,413,168) | Total Reserves | | (1,435,249) |

The accompanying notes form an integral part of these financial statements

Jonathan Belford, CPFA
Chief Officer – Finance
27 September 2022

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.

| 2020/21 | | 2021/22 |
|----------------|--|----------------|
| £'000 | | £'000 |
| | | |
| 9,355 | Net Surplus or (Deficit) on the provision of services | (85,491) |
| 135,043 | Adjust net surplus or deficit on the provision of services for non cash movements (note 14) | 244,971 |
| (80,053) | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (48,313) |
| 64,345 | Net cash flows from Operating Activities (note 14) | 111,167 |
| (34,395) | Net cash flows from Investing Activities (note 15) | (141,007) |
| (11,793) | Net cash flows from Financing Activities (note 16) | 12,734 |
| 18,157 | Net increase or (decrease) in cash and cash equivalents | (17,106) |
| | | |
| 101,542 | Cash and cash equivalents at the beginning of the reporting period | 119,699 |
| | | |
| 119,699 | Cash and cash equivalents at the end of the reporting period (note 17) | 102,593 |

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 2021/22 financial year and its position at the year ended 31 March 2022. 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 2021/22 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 2.2%.
- 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.

xi 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.

xii 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.

xiii 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.

Infrastructure Assets

The Code requires that where a component of an infrastructure asset is replaced, the carrying amount (i.e. net book value) of the old component shall be derecognised to avoid double counting and the new component shall be reflected in the carrying amount of the infrastructure asset. Due to practical difficulties in applying component accounting for the recognition and derecognition of replaced components of infrastructure assets, in large part due to data limitations, the Scottish Government is aware that most local authorities have been unable to comply with the requirement to assess the net book value of the replaced component and will therefore have taken a network approach to the measurement of infrastructure assets and will have treated the amount of the replaced component as zero. This is because the replaced component is considered to have been fully used up at the point that it is replaced.

The Scottish Government recognises that this is a challenging, time-sensitive issue and has therefore agreed to provide a temporary statutory override whilst a permanent solution is developed within the Code.

- Statutory Override 1: This statutory override permits that, for accounting periods commencing from 1 April 2021 until 31 March 2024, a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets. Therefore, for 2021/22 the Council has shown only the Net Book Value of its Infrastructure Assets in Note 28. Property, Plant and Equipment.
- Statutory Override 2: This statutory override requires that, for the periods from 1 April 2010 to 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is a nil amount, and no subsequent adjustment shall be made to the carrying amount of the asset with respect to that part. This is required on the basis that parts of infrastructure assets are rarely replaced before the part has been fully consumed and should therefore, in most cases, be fully depreciated at the date of replacement.

The Council has chosen to adopt both overrides for 2021/22.

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. Accounting Standards that have been issued but not yet 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:

- Property, Plant and Equipment: Proceeds before Intended Use. This amendment to IAS 16 amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the asset to operating capability.

The Council will be required to reflect this change, as necessary in its 2022/23 Annual Accounts. It is not anticipated that these changes will have a significant impact on the Council's financial statements.

The implementation of IFRS 16 for Lease Accounting which should have been adopted with effect from 1 April 2022 has now been deferred until 1 April 2024 with local authorities having the option to adopt earlier if they decide to do so. This standard replaces 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 will be considered finance leases unless they meet the specific exception criteria. The Council has opted to defer implementation at this time.

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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--|--|---|
| Property, Plant and Equipment : Valuations | <p>In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards('Red Book'), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'</p> <p>The valuation report has been used to inform the measurement of non-current assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2022 and can be relied upon.</p> | <p>The uncertainty relates to the estimated costs of, rather than the extent of, service potential to be replaced. Covid-19 may also have a further impact of the value of assets subsequent to the balance sheet date. There is to date, limited market evidence to indicate the impact on particular categories of non-current asset.</p> |
| Property, Plant and Equipment : Depreciation | <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council were to reduce its spending on repairs and maintenance it could bring into doubt the useful lives assigned to assets.</p> | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. For example, it is estimated that for a building worth £30 million with a useful life of 35 years, the annual depreciation charge would increase by £25,210 if the useful life had to be reduced by one year.</p> |
| Council Dwellings – Housing Stock | <p>Council dwellings are valued combining the Beacon Method which aggregates the vacant possession values of each unit of housing stock and the investment approach where the gross rental income is capitalised adopting an appropriate investment yield. The beacon discount factor is determined by comparing the Investment Value to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The investment yield applied is 7.5%.</p> | <p>If the investment yield is increased by 0.25%, this would lead to a corresponding decrease in the total value of council dwellings of £26.9m. If the investment yield is reduced by 0.25%, this would lead to a corresponding increase in the total value of council dwellings of £28.8m.</p> |
| Aberdeen City Council Bond | <p>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).</p> | <p>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.</p> |
| Pensions Liability | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are</p> | <p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in</p> |

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---------|--|--|
| | 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 discount rate assumption would result in a decrease in the pension liability of £33 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 £33.6 million. The interaction of assumptions is therefore extremely complex. See note 22 for further assumptions. |
| Arrears | At 31 March 2022 the Council had a balance of short term debtors of £113 million. This is net of an allowance for the impairment of debt of £82.5million. | If collection rates were to deteriorate, an increase of 1% on impairment would require a further provision of £1.13 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.

| 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 | | | |
| Adjustments involving the Capital Adjustment Account (CAA): | | | | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u> | | | | | | | |
| Charges for depreciation and impairment of non current assets | (50,294) | (34,222) | 0 | 0 | 0 | 84,516 | |
| Revaluation losses on Property, Plant and Equipment | (2,616) | (47,602) | 0 | 0 | 0 | 50,218 | |
| Capital grants and contributions applied | 42,856 | 43,854 | 0 | 0 | 0 | (86,710) | |
| Write off carrying amount of non current assets sold | (1,188) | 0 | 0 | 0 | 0 | 1,188 | |
| 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) | 3,448 | 0 | 0 | 0 | 0 | (3,448) | |
| Movement in the fair value of Investment Properties | (5,167) | 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 | (8,984) | |
| Capital expenditure charged against the General Fund and HRA balances and other statutory funds | 265 | 33,390 | | 0 | 0 | (33,655) | |
| Adjustments involving the Capital Receipts Reserve: | | | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | (2,380) | 2,334 | 0 | 46 | |
| Proceeds from sale of non current assets | 2,834 | 61 | 0 | (2,895) | 0 | 0 | |
| Contribution from Capital Receipts Reserve towards the administrative costs of non current asset | (151) | (410) | 0 | 561 | 0 | 0 | |
| Adjustments involving the Capital Grants Unapplied Account: | | | | | | | |
| Capital grants and contributions unapplied credited to CIES | 1,748 | 0 | 0 | 0 | (1,748) | 0 | |
| Application of grants/transformation costs to capital financing | 0 | 0 | 0 | 0 | 0 | 0 | |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | | | |
| Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 432 | 0 | 0 | 0 | 0 | (432) | |
| Adjustments involving the Pensions Reserve: | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (52,685) | (1,361) | 0 | 0 | 0 | 54,046 | |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 32,291 | 873 | 0 | 0 | 0 | (33,164) | |
| Adjustments involving the Accumulated Absences Account: | | | | | | | |
| Adjustments in relation to short term compensated absences | (1,273) | (23) | 0 | 0 | 0 | 1,296 | |
| Total Adjustments | (22,283) | (3,673) | (2,380) | 0 | (1,748) | 30,084 | |

| 2021/22 | Usable Reserves | | | | | Capital Grants Unapplied Account £'000 | Movement in Unusable Reserves £'000 |
|--|-------------------------------|----------------------------------|-------------------------------------|-----------------------------------|----------------|---|--|
| | General Fund Balance £'000 | Housing Revenue Account £'000 | Statutory & Other Reserves £'000 | Capital Receipts Reserve £'000 | | | |
| Adjustments involving the Capital Adjustment Account (CAA): | | | | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u> | | | | | | | |
| Charges for depreciation and impairment of non current assets | (48,156) | (31,508) | 0 | 0 | 0 | 79,664 | |
| Revaluation losses on Property, Plant and Equipment | (38,582) | (44,373) | 0 | 0 | 0 | 82,955 | |
| Capital grants and contributions applied | 41,197 | 19,056 | 0 | 0 | 0 | (60,253) | |
| Write off carrying amount of non current assets sold | (1,902) | 0 | 0 | 0 | 0 | 1,902 | |
| Write off carrying amount of non current assets scrapped | (215) | 0 | 0 | 0 | 0 | 215 | |
| Statutory provision for the financing of Capital spend (3R's) | 5,099 | 0 | 0 | 0 | 0 | (5,099) | |
| Movement in the fair value of Investment Properties | (6,750) | 0 | 0 | 0 | 0 | 6,750 | |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure</u> | | | | | | | |
| Loan principal repayments during the year | 8,205 | 1,811 | 0 | 0 | 0 | (10,016) | |
| Capital expenditure charged against the General Fund and HRA balances and other statutory funds | 3,364 | 28,654 | | 0 | 0 | (32,018) | |
| Adjustments involving the Capital Receipts Reserve: | | | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | (1,045) | 1,013 | 0 | 32 | |
| Proceeds from sale of non current assets | 1,483 | 135 | 0 | (1,618) | 0 | 0 | |
| Contribution from Capital Receipts Reserve towards the administrative costs of non current asset | (130) | (475) | 0 | 605 | 0 | 0 | |
| Adjustments involving the Capital Grants Unapplied Account: | | | | | | | |
| Capital grants and contributions unapplied credited to CIES | 1,045 | 0 | 0 | 0 | (1,045) | 0 | |
| Application of grants/transformation costs to capital financing | 0 | 0 | 0 | 0 | 0 | 0 | |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | | | |
| Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 433 | 0 | 0 | 0 | 0 | (433) | |
| Adjustments involving the Pensions Reserve: | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (60,884) | (1,486) | 0 | 0 | 0 | 62,370 | |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 30,791 | 763 | 0 | 0 | 0 | (31,554) | |
| Adjustments involving the Accumulated Absences Account: | | | | | | | |
| Adjustments in relation to short term compensated absences | 172 | 25 | 0 | 0 | 0 | (197) | |
| Total Adjustments | (64,830) | (27,398) | (1,045) | 0 | (1,045) | 94,318 | |

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

| General Fund Earmarked Reserves 2020-21 | Balance at 31 March 2020 £'000 | Transfers In 2020/21 £'000 | Transfers Out 2020/21 £'000 | Balance at 31 March 2021 £'000 | Purpose |
|--|---|----------------------------------|--------------------------------------|---|--|
| Devolved Education M'ment (Comm Centres) | (542) | | | (542) | community centre funds c/f |
| Devolved Education M'ment (School Funds) | (124) | (294) | 124 | (294) | school funds c/f |
| Service Specific Funding | (452) | (148) | 156 | (444) | funding for service initiative |
| Energy Efficiency Fund | (1,254) | (40) | 35 | (1,259) | funding for energy saving schemes |
| Bus Lane Enforcement | (373) | | 95 | (278) | funding towards transport strategy |
| Second/Long Term Empty Homes | (12,736) | (1,973) | 49 | (14,660) | funding for affordable housing |
| De-risk the Council | (1,811) | (1,803) | | (3,614) | funding to support Council guarantees |
| Transformation Fund | (3,455) | (2,000) | 2,976 | (2,479) | funding for Council transformation |
| Pupil Equity Fund | (925) | | 925 | 0 | funding to raise attainment in schools |
| Repairs & Maintenance Fund | (900) | (285) | | (1,185) | funding for approved project costs |
| Rapid Rehousing Transition Plan | (311) | | | (311) | funding for community hosting project |
| Additional Support for Learning | (507) | | 507 | 0 | funding for additional support for schools |
| ADM - Education | 0 | (385) | | (385) | funding for education costs |
| Covid Grants | 0 | (33,633) | | (33,633) | covid funding carried forward |
| Total General Fund | (23,390) | (40,561) | 4,867 | (59,084) | |
| Total Uncommitted Balance | (11,904) | (616) | | (12,520) | |
| Total General Fund | (35,294) | (41,177) | 4,867 | (71,604) | |
| Recommended Uncommitted Balance | (12,000) | | | (12,000) | |

| General Fund Earmarked Reserves 2021-22 | Balance at 31 March 2021 | Transfers In 2021/22 | Transfers Out 2021/22 | Balance at 31 March 2022 | Purpose |
|--|--------------------------------|-------------------------|--------------------------|-----------------------------|---------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | |
| Devolved Education M'tment (Comm Centres) | (542) | | | (542) | community centre funds c/f |
| Devolved Education M'tment (School Funds) | (294) | (680) | 294 | (680) | school funds c/f |
| Energy Efficiency Fund | (1,259) | (18) | | (1,277) | funding for energy saving schemes |
| Bus Lane Enforcement | (278) | (440) | 215 | (503) | funding towards transport strategy |
| Second/Long Term Empty Homes | (14,660) | (2,102) | 3,652 | (13,110) | funding for affordable housing |
| De-risk the Council | (3,614) | (2,000) | | (5,614) | funding to support Council guarantees |
| Transformation Fund | (2,479) | (2,500) | 546 | (4,433) | funding for Council transformation |
| Service Specific Funding | (371) | (367) | 26 | (712) | funding for service initiative |
| Repairs & Maintenance Fund | (1,185) | | 786 | (399) | funding for repairs and maintenance |
| Rapid Rehousing Transition Plan | (311) | | | (311) | funding for community hosting project |
| Mental Health Day | (6) | | 6 | (0) | funding for staff support |
| Socio Economic Recovery | (67) | | 67 | 0 | funds for covid recovery |
| ADM - Education | (385) | (659) | 302 | (742) | funding for education costs |
| Budget 22/23 Use of Reserves | | (7,309) | | (7,309) | reserves to be used towards budget |
| Neurodevelopment Specification (CSW) | | (292) | | (292) | to fund Storm Arwen damage costs |
| Tree Works - Storm Damage | | (476) | | (476) | funding for environmental costs |
| Additional Teaching - Recovery Funding | | (408) | | (408) | Funds set aside for Covid Recovery |
| Seed Funding - Comm Bens Plan for H2 JV | | (1,000) | | (1,000) | Funding for joint venture |
| FWES Employability | | (1,685) | | (1,685) | funding for employability |
| Syrian & Afghan Refugee funding | | (1,552) | | (1,552) | funding/income for refugee costs |
| Scottish Child Payment | | (31) | | (31) | funding for scottish children |
| Covid Grants | (33,633) | (14,743) | 29,360 | (19,016) | covid funding carried forward |
| Unknown General Fund Surplus | | (60) | | (60) | surplus to be resolved |
| | | | | | |
| Total General Fund Earmarked Reserves | (59,084) | (36,321) | 35,254 | (60,152) | |
| | | | | | |
| Uncommitted General Fund Balance | (12,519) | | 519 | (12,000) | |
| | | | | | |
| Total General Fund Balance | (71,603) | (36,321) | 35,773 | (72,152) | |

| | Balance at 31 March 2020 £'000 | Transfers In 2020/21 £'000 | Transfers Out 2020/21 £'000 | Balance at 31 March 2021 £'000 | Transfers In 2021/22 £'000 | Transfers Out 2021/22 £'000 | Balance at 31 March 2022 £'000 | Purpose of the Earmarked Reserve |
|--------------------------------------|---|----------------------------------|-----------------------------------|---|----------------------------------|-----------------------------------|---|--|
| Housing Revenue Account (HRA) | | | | | | | | |
| Housing Repairs | (1,718) | (3,125) | 1,718 | (3,125) | (2,481) | 3,125 | (2,481) | Repairs ordered prior to the year end |
| Housing Sales - Not right to buy | (308) | 0 | 0 | (308) | 0 | 0 | (308) | One-off vacant properties sold on open market. |
| Total HRA | (2,026) | (3,125) | 1,718 | (3,433) | (2,481) | 3,125 | (2,789) | |
| Total Earmarked Reserves | (25,416) | (43,686) | 6,585 | (62,517) | (38,223) | 38,379 | (62,361) | |

| 2020/21 | General Fund £000's | HRA £000's | 2021/22 | General Fund £000's | HRA £000's |
|---|------------------------|----------------|---|------------------------|---------------|
| Total transfers in during the year | (40,561) | (3,125) | Total transfers in during the year | (35,742) | (2,481) |
| Total transfers out during the year | 4,867 | 1,718 | Total transfers out during the year | 35,254 | 3,125 |
| Net movement in Earmarked Reserves 2020/21 | (35,694) | (1,407) | Net movement in Earmarked Reserves 2021/22 | (488) | 644 |

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 2020 £'000 | Transfers In 2020/21 £'000 | Transfers Out 2020/21 £'000 | Balance at 31 March 2021 £'000 | Transfers In 2021/22 £'000 | Transfers Out 2021/22 £'000 | Balance at 31 March 2022 £'000 | Purpose of the Earmarked Reserve |
|--|-------------------------------------|----------------------------------|-----------------------------------|--------------------------------------|----------------------------------|-----------------------------------|--------------------------------------|---|
| Capital | (9,114) | (2,562) | 2,148 | (9,528) | (9,256) | 1,169 | (17,615) | To meet the capital expenditure and the repayment of the principal on loans |
| Insurance | (1,933) | (644) | 536 | (2,041) | (500) | 442 | (2,099) | To meet the cost of uninsured claims |
| City Improvement | (325) | (1) | 0 | (326) | (2) | 0 | (328) | To meet the cost of carrying out improvements to the city as decided by the Council |
| Lord Byron | (5) | 0 | 0 | (5) | 0 | 0 | (5) | To meet the costs of maintaining Lord Byron's statue |
| Total Statutory and Other Funds | (11,377) | (3,207) | 2,684 | (11,900) | (9,758) | 1,611 | (20,047) | |

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.

| 2020/21 | | | 2021/22 | | | |
|--|--|--------------------------------------|--|--|--|--------------------------------------|
| Net Expenditure chargeable to General Fund & HRA balances £'000 | Adjustments between funding & Accounting basis | Net Expenditure in the CIES £'000 | Services | Net Expenditure chargeable to General Fund & HRA balances £'000 | Adjustments between funding & Accounting basis | Net Expenditure in the CIES £'000 |
| 263,317 | 22,153 | 285,470 | Operations | 264,343 | 34,602 | 298,945 |
| 34,968 | 6,994 | 41,962 | Customer | 34,804 | 8,158 | 42,962 |
| 22,082 | 7,256 | 29,338 | Commissioning | 22,002 | 13,581 | 35,583 |
| 5,890 | 14,132 | 20,022 | Resources | 9,021 | 34,539 | 43,560 |
| 92,467 | 1,789 | 94,256 | Integration Joint Board | 102,251 | 3,441 | 105,692 |
| 26,710 | (4,618) | 22,092 | Corporate | 38,980 | (6,851) | 32,129 |
| (7,373) | 46,992 | 39,619 | Housing Revenue Account | (7,581) | 46,062 | 38,481 |
| 438,061 | 94,698 | 532,759 | Net Cost of Services | 463,820 | 133,532 | 597,352 |
| (474,419) | (67,695) | (542,114) | Other Income and Expenditure | (472,263) | (39,598) | (511,861) |
| (36,358) | 27,003 | (9,355) | (Surplus) or Deficit on Provision of Services | (8,443) | 93,934 | 85,491 |
| (48,102) | | | Opening General Fund and HRA Balance at 31 March 2021 | (86,318) | | |
| (36,358) | | | (Surplus)/deficit on General Fund and HRA Balance in Year | (8,443) | | |
| (1,858) | | | To/From Other Statutory Reserves | 7,394 | | |
| (86,318) | | | Closing General Fund and HRA Balance at 31 March 2022 | (87,367) | | |

Note 7. Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2020/21

| | Adjustments for Capital Purposes | Net Change for the Pensions Adjustments | Other Adjustments | Total Adjustments |
|--|-------------------------------------|--|----------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| 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 |
| 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 |
| Net Cost of Services | 123,040 | 12,981 | (41,323) | 94,698 |
| Other Income and Expenditure from the Funding Analysis | (75,140) | 7,899 | (454) | (67,695) |
| Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6) | 47,900 | 20,880 | (41,777) | 27,003 |

Expenditure & Funding Analysis - Adjustments between Funding and Accounting Basis 2021/22

| | Adjustments for Capital Purposes | Net Change for the Pensions Adjustments | Other Adjustments | Total Adjustments |
|--|-------------------------------------|--|----------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Operations | 21,181 | 16,156 | (2,735) | 34,602 |
| Customer | 5,641 | 3,012 | (495) | 8,158 |
| Commissioning | 11,811 | 1,952 | (182) | 13,581 |
| Resources | 33,271 | 1,314 | (46) | 34,539 |
| Integration Joint Board | 1,170 | 2,346 | (75) | 3,441 |
| Corporate | 14 | 1,200 | (8,065) | (6,851) |
| Housing Revenue Account | 75,881 | 671 | (30,490) | 46,062 |
| Net Cost of Services | 148,969 | 26,651 | (42,088) | 133,532 |
| Other Income and Expenditure from the Funding Analysis | (43,187) | 4,163 | (574) | (39,598) |
| Difference between General Fund Surplus or Deficit and CIES Surplus or Deficit (Note 6) | 105,782 | 30,814 | (42,662) | 93,934 |

8. Comprehensive Income & Expenditure Statement - Other Operating Expenditure

| 2020/21 £'000 | | 2021/22 £'000 |
|--------------------------------|---|--------------------------------|
| (1,146) | Gains on the disposal on non current assets | 1,396 |
| (1,146) | Total | 1,396 |

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

| 2020/21 £'000 | | 2021/22 £'000 |
|--------------------------------|---|--------------------------------|
| 45,440 | Interest payable and similar charges | 49,548 |
| 7,024 | Pensions interest cost and expected return on pensions assets | 2,150 |
| (538) | Interest receivable and similar income | (359) |
| (601) | Income and Expenditure in relation to investment properties and changes in their fair value | 500 |
| (1,790) | Other Investment income | (791) |
| 49,535 | Total | 51,048 |

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

| 2020/21 £'000 | | 2021/22 £'000 |
|--------------------------------|---------------------------------------|--------------------------------|
| (123,401) | Council Tax Income | (128,401) |
| (164,025) | Non domestic rates | (202,529) |
| (215,668) | Non ring-fenced government grants | (173,491) |
| (86,709) | Capital grants and contributions | (60,253) |
| (700) | Capital grants and receipts unapplied | 369 |
| (590,503) | Total | (564,305) |

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 2021/22 the Council received additional grant funding of £45.307 million from the Scottish Government in relation to the Covid-19 pandemic. £27.350 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 £17.957 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 2021/22 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

| 31 March 2021 | | 31 March 2022 |
|----------------------|--|----------------------|
| £'000 | | £'000 |
| (900,739) | Revaluation Reserve | (961,936) |
| (552,705) | Capital Adjustment Account | (504,459) |
| 14,163 | Financial Instruments Adjustment Account | 13,730 |
| 118,090 | Pensions Reserve | 118,419 |
| 7,423 | Accumulated Absences Account | 7,224 |
| (1,313,768) | Total | (1,327,022) |

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.

| 2020/21 | | | 2021/22 | |
|-----------|------------------|---|-----------|------------------|
| £'000 | £'000 | | £'000 | £'000 |
| | (947,601) | Balance at 1 April | | (900,739) |
| (139,023) | | Upward revaluation of assets | (102,968) | |
| 163,272 | | Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services | 25,884 | |
| | 24,249 | Surplus or deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services | | (77,084) |
| 22,624 | | Difference between fair value depreciation and historical cost depreciation | 15,602 | |
| 0 | | Accumulated gains on assets sold or scrapped | 0 | |
| | 22,624 | | | 15,602 |
| | (11) | Amounts written off to the Capital Adjustment Account | | 285 |
| | (900,739) | Balance at 31 March | | (961,936) |

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.

| 2020/21 | | 2021/22 | |
|------------------|--|----------------|------------------|
| £'000 | | £'000 | £'000 |
| (538,432) | Balance at 1 April | | (552,705) |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| 84,516 | Charges for depreciation and impairment on non current assets | 79,663 | |
| 50,218 | Revaluation losses on Property, Plant and Equipment | 82,955 | |
| 1,188 | 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 | 2,402 | |
| 135,922 | | 165,020 | |
| (22,613) | Adjusting amounts written out of the Revaluation Reserve | (15,887) | |
| 113,309 | Net written out amount of the cost of non current assets consumed in the year | | 149,133 |
| | Capital financing applied in the year: | | |
| 47 | Use of the Capital Receipts Reserve to finance new capital expenditure | 32 | |
| (86,709) | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (60,253) | |
| (8,983) | Loans Fund principal repayments | (10,016) | |
| (33,656) | Capital expenditure charged against the General Fund and HRA balances | (32,018) | |
| (3,448) | Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements | (5,099) | |
| (132,749) | | | (107,354) |
| 0 | Deferred Capital Receipt | | 0 |
| 5,167 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | 6,750 |
| 0 | Written off | | (283) |
| 0 | Grant Funding | | 0 |
| (552,705) | Balance at 31 March | 0 | (504,459) |

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.

| 2020/21 | | 2021/22 | |
|---------------|---|---------|---------------|
| | | £'000 | £'000 |
| 14,595 | Balance at 1 April | | 14,163 |
| | Difference between finance and other costs and income calculated on an accounting basis and finance costs calculated in accordance with statutory requirements | | |
| (35) | Long Term Borrowing – Stepped Loans | (36) | |
| (397) | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | (397) | |
| (432) | 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 | | (433) |
| 14,163 | Balance at 31 March | | 13,730 |

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.

| 2020/21 | | 2021/22 | |
|----------------|--|---------|----------------|
| | | £'000 | £'000 |
| 309,303 | Balance at 1 April | | 118,090 |
| (212,095) | Remeasurements of the net defined benefit liability | | (30,488) |
| 54,046 | 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 | | 62,371 |
| (33,164) | Employer's pensions contributions and direct payments to pensioners payable in the year | | (31,554) |
| 118,090 | Balance at 31 March | | 118,419 |

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.

| 2020/21 | | 2021/22 | |
|--------------|---|---------|--------------|
| £'000 | | £'000 | £'000 |
| 6,129 | Balance at 1 April | | 7,423 |
| (6,129) | Settlement or cancellation of accrual made at the end of the preceding year | (7,423) | |
| 7,423 | Amounts accrued at the end of the current year | 7,224 | |
| 1,294 | 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 | | (199) |
| 7,423 | Balance at 31 March | | 7,224 |

14. Cash Flow Statement – Operating Activities

| 2020/21 | | 2021/22 |
|-----------------|--|-----------------|
| £'000 | | £'000 |
| 9,355 | Net surplus or (deficit) on the provision of services ^ | (85,491) |
| 9,355 | | (85,491) |
| | Adjustment to surplus or deficit on the provision of services for non-cash movements: | |
| 84,517 | Depreciation | 79,663 |
| 50,218 | Impairment, downward revaluations & non sale derecognitions | 82,955 |
| (54) | (Increase)/Decrease in Stock | (835) |
| (35,610) | (Increase)/Decrease in Debtors | 26,443 |
| 17,212 | Increase/(Decrease) in Creditors | 14,039 |
| 20,882 | Movement in Pension Liability | 30,817 |
| 1,188 | Carrying amount of non current assets sold | 2,402 |
| (8,477) | Contributions to Other Reserves/Provisions | 2,737 |
| 5,167 | Movement in value of investment properties | 6,750 |
| 135,043 | | 244,971 |
| | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities: | |
| (86,709) | Receipt of Capital Grants and Contributions | (60,253) |
| (2,334) | Proceeds from the sale of property, plant & equipment, investment property and intangible assets | (1,007) |
| 8,990 | Bond Effective Interest Rate Adjustment | 12,947 |
| (80,053) | | (48,313) |
| 64,345 | Net cash flows from operating activities | 111,167 |

^ includes the following:

| 2020/21 | | 2021/22 |
|----------|---------------------|----------|
| £'000 | | £'000 |
| 538 | Interest receivable | 359 |
| (45,440) | Interest payable | (49,548) |

15. Cash Flow Statement – Investing Activities

| 2020/21 | | 2021/22 |
|-----------------|--|------------------|
| £'000 | | £'000 |
| (134,363) | Purchase of property, plant and equipment, investment properties and heritage assets | (223,358) |
| 10,925 | Purchase/(Sale) of short term and long term investments | 21,091 |
| 2,895 | Proceeds from the sale of property, plant and equipment and investment properties | 1,613 |
| (561) | Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals | (606) |
| 86,709 | Capital grants and contributions received | 60,253 |
| (34,395) | Net cash flows from investing activities | (141,007) |

16. Cash Flow Statement – Financing Activities

| 2020/21 | | 2021/22 |
|-----------------|--|---------------|
| £'000 | | £'000 |
| (32) | Other receipts from financing activities | (37) |
| (3,448) | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts | (5,099) |
| (23,552) | Repayment of amounts borrowed | (19,547) |
| (8,990) | Bond Effective Interest Rate Adjustment | (12,947) |
| 24,229 | New borrowings | 50,364 |
| (11,793) | Net cash flows from financing activities | 12,734 |

17. Cash Flow Statement – Cash and Cash Equivalents

| 31 March 2021 | | 31 March 2022 |
|----------------|--|----------------|
| £'000 | | £'000 |
| 34 | Cash held by the Authority | 39 |
| 119,665 | Bank current accounts | 102,554 |
| 119,699 | Total cash and cash equivalents | 102,593 |

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 | | 2019/20 | 2020/21 | 2021/22 | Cumulative (Surplus) /Deficit |
|---|------------------------------|-----------------|----------------|----------------|--|
| | | £'000 | £'000 | £'000 | £'000 |
| Provision and Management of Car Parking Facilities | Turnover | (8,154) | (3,717) | (6,280) | |
| | Expenditure | 4,077 | 2,814 | 2,682 | |
| | Interest | (103) | (103) | (94) | |
| | Net (Surplus)/Deficit | (4,180) | (1,006) | (3,693) | (8,879) |
| | | | | | |
| 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: £8.879 million. | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Letting of Industrial, Commercial and Other Properties | Turnover | (14,713) | (13,206) | (16,147) | |
| | Expenditure | 8,803 | 7,886 | 10,386 | |
| | Interest | (460) | (448) | (489) | |
| | Net (Surplus)/Deficit | (6,370) | (5,768) | (6,251) | (18,388) |
| | | | | | |
| Provides the management and operation of the Council's portfolio of industrial, commercial and miscellaneous land and property holdings which are in the main available for rent on the open market at commercial rates. Cumulative surplus in the last three financial years: £18.388 million. | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Net (Surplus)/Deficit on Significant Trading Operations | | (10,550) | (6,774) | (9,943) | (27,267) |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Other Trading Operations | | | | | Cumulative (Surplus) /Deficit |
| | | 2019/20 | 2020/21 | 2021/22 | £'000 |
| | | £'000 | £'000 | £'000 | £'000 |
| Building and Maintenance | Turnover | (30,915) | (30,434) | (39,040) | |
| | Expenditure | 31,706 | 29,650 | 41,942 | |
| | Interest | 0 | 0 | 0 | |
| | Net (Surplus)/Deficit | 791 | (784) | 2,902 | 2,909 |
| | | | | | |
| Provides a range of services, covering all trades, for emergency response, planned maintenance and improvement of buildings. This includes the Council's housing stock as well as operational buildings. Cumulative deficit over the last three financial years: £2.874 million. | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

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.

| | 2019/20 | 2020/21 | 2021/22 |
|---|---------|---------|---------|
| | £'000 | £'000 | £'000 |
| Net (surplus)/deficit on trading operations | (9,759) | (7,558) | (7,041) |
| exceptional items* | 60,341 | 5,167 | 6,750 |
| | 50,582 | (2,391) | (291) |
| Investment properties | 53,971 | (601) | 500 |
| Other Investment Income | (3,389) | (1,790) | (791) |
| (note 9) | 50,582 | (2,391) | (291) |

*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 118.

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 2021/22 was £0.776 m (2020/21, £0.776 m).
- The Council issued Covid-related grants on behalf of the Scottish Government during 21/22 to the value of £30.239m see breakdown below. Covid Grants received for 20/21 were £52.767m. No covid grants were paid out during 19/20.

| Grant Description | £'000 |
|--|---------------|
| Agency - COVID Small Business Grants | 29 |
| Agency - COVID Self Isolation Grants | 2,049 |
| Agency - COVID Monthly Strategic Fund | 13,360 |
| Agency - COVID Route Map Extension Restrictions | 455 |
| Agency - COVID Additional Soft Play Support | 3 |
| Agency - COVID Taxi Fund | 1,773 |
| Agency - COVID Contingency Fund Plus | 25 |
| Agency - COVID Temp Restrictions Fund | 195 |
| Agency - COVID Spring Payment | 131 |
| Agency - COVID Accommodation Grant | 108 |
| Agency - COVID Family Pandemic Payments | 2,306 |
| Agency - COVID DecJan Top Up Grant | 1,802 |
| Agency - COVID Taxi & Private Hire | 997 |
| Agency - COVID Hospitality & Leisure Top Up | 685 |
| Agency - COVID Nightclub Fund | 335 |
| Agency - COVID Food & Drink Brewers Fund | 30 |
| Agency - COVID Table Service | 305 |
| Agency - Scottish Child Payments Bridging Payments | 2,476 |
| Agency - Teachers £400 payment | 286 |
| Agency - Social Care £500 payment | 2,889 |
| Total | 30,239 |

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 | 2020/21 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Fees payable with regard to external audit services undertaken in accordance with the Code of Practice | 439 | 442 |
| Audit of financial statements of subsidiaries (Charitable Trusts) pursuant to legislation | 9 | 10 |
| Total | 448 | 452 |

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 2021 the Council's own contributions equate to approximately 2.6%.

In 2021/22, the council paid £17.707 million to the Scottish Government in respect of teachers' pension costs, which represents 23% of teachers' pensionable pay from 1 April 2021 to 31 March 2022. The figure for 2020/21 was £17.161 million representing 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 or on request from the Chief Officer - Finance, Marischal College, Broad Street, Aberdeen, AB10 1AB.

Participation in pension schemes

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

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Aberdeen City Council – this is a funded defined benefit scheme calculated on a career average basis, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The principal risks to authority of the Local Government Pension Scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary post retirement benefits

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

Transactions relating to post employment benefits

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

Pension Assets and Liabilities Recognised in the Balance Sheet

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

| | Local Government Scheme | | Pension £'000 | | Scottish Teachers Superannuation Scheme £'000 | |
|---|-------------------------|---------------|---------------|------------|---|---------|
| | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 |
| Comprehensive Income and Expenditure Statement | | | | | | |
| <i>Cost of Services:</i> | | | | | | |
| Service cost comprising: | | | | | | |
| · current service cost | 44,108 | 58,689 | 0 | 0 | 0 | 0 |
| · administration expenses | 573 | 593 | 0 | 0 | 0 | 0 |
| · past service costs | 387 | 129 | 0 | 0 | 0 | 0 |
| · (gain)/loss from settlements | 1,954 | 810 | 0 | 0 | 0 | 0 |
| Financing and Investment Income and Expenditure | | | | | | |
| · net interest expense | 6,402 | 1,601 | 622 | 549 | | |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 53,424 | 61,822 | 622 | 549 | | |
| <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) | (434,383) | 7,548 | 0 | 0 | | |
| · actuarial gains and losses arising on changes in demographic assumptions | (4,445) | (9,518) | (162) | (184) | | |
| · actuarial gains and losses arising on changes in financial assumptions | 282,204 | (33,560) | 2,447 | 280 | | |
| · other | (56,681) | 4,871 | (1,075) | 75 | | |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | (159,881) | 31,163 | 1,832 | 720 | | |
| Movement in Reserves Statement | | | | | | |
| · reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (53,424) | (61,822) | (622) | (549) | | |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> | | | | | | |
| · employers' contributions payable to scheme | 29,420 | 27,575 | 0 | 0 | | |
| · retirement benefits payable to pensioners | 2,090 | 2,372 | 1,654 | 1,607 | | |

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 | | | Includes: Discretionary Benefits Arrangements | | |
|--|---------------------------------|------------------|------------------|---|-----------------|-----------------|
| | 2019/20 | 2020/21 | 2021/22 | 2019/20 | 2020/21 | 2021/22 |
| Present value of the defined benefit obligation | (1,600,665) | (1,862,450) | (1,884,558) | (42,181) | (38,956) | (36,904) |
| Fair value of plan assets | 1,318,108 | 1,771,284 | 1,792,176 | 0 | 0 | 0 |
| Sub total | (282,557) | (91,166) | (92,382) | (42,181) | (38,956) | (36,904) |
| Scottish Teachers Superannuation Scheme | (26,746) | (26,924) | (26,037) | 0 | 0 | 0 |
| Net liability arising from defined benefit obligation | (309,303) | (118,090) | (118,419) | (42,181) | (38,956) | (36,904) |

The liabilities show the underlying commitments that the Council has in the long term to pay post employment (retirement) benefits. The total liability of £118.419 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 2023 is £30.9 million. Expected contributions for the Discretionary Benefit Scheme in the year to 31 March 2023 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 | |
|--|---|------------------|--|----------------|
| | 2020/21 | 2021/22 | 2020/21 | 2021/22 |
| Opening fair value of scheme assets | 1,318,108 | 1,771,284 | 0 | 0 |
| Interest income | 31,532 | 37,112 | 0 | 0 |
| Remeasurement gain/(loss): | | | | |
| · The return on plan assets, excluding the amount included in the net interest expense | 434,383 | (7,548) | 0 | 0 |
| · Other | (573) | (593) | 0 | 0 |
| The effect of changes in foreign exchange rates | (3,614) | 0 | 0 | 0 |
| Contributions from employer | 31,510 | 29,947 | 2,391 | 2,354 |
| Contributions from employees into the scheme | 8,706 | 9,034 | 0 | 0 |
| Benefits paid | (48,768) | (47,060) | (2,391) | (2,354) |
| Other | 0 | 0 | 0 | 0 |
| Closing fair value of scheme assets | 1,771,284 | 1,792,176 | 0 | 0 |
| | | | | |
| | | | | |
| | Total Assets: Scottish Teachers Superannuation Scheme (All Unfunded) £'000 | | | |
| | 2020/21 | 2021/22 | | |
| Opening fair value of scheme assets | 0 | 0 | | |
| Contributions from employer | 1,654 | 1,607 | | |
| Benefits paid | (1,654) | (1,607) | | |
| Closing fair value of scheme assets | 0 | 0 | | |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £29.564 million (2020/21, £458.671m).

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

| | Total Liabilities: Local Government Pension Scheme £'000 | | Includes: Discretionary Benefits £'000 | |
|--|---|--------------------|---|-----------------|
| | 2020/21 | 2021/22 | 2020/21 | 2021/22 |
| Opening balance at 1 April | (1,600,665) | (1,862,450) | (42,181) | (38,956) |
| Current service cost | (44,108) | (58,689) | 0 | 0 |
| Interest cost | (37,934) | (38,713) | (985) | (793) |
| Contributions from scheme participants | (8,706) | (9,034) | 0 | 0 |
| Remeasurement (gains) and losses: | | | | |
| · Actuarial gains/losses arising from changes in demographic assumptions | 4,445 | 9,518 | 107 | 179 |
| · Actuarial gains/losses arising from changes in financial assumptions | (282,204) | 33,560 | (4,367) | 419 |
| · Other | 56,681 | (4,871) | 6,079 | (107) |
| Past service cost | (387) | (129) | 0 | 0 |
| Losses/(gains) on curtailment | (1,567) | (810) | 0 | 0 |
| Liabilities assumed on entity combinations | 0 | 0 | 0 | 0 |
| Benefits paid | 48,768 | 47,060 | 2,391 | 2,354 |
| Liabilities extinguished on settlements | 3,227 | 0 | 0 | 0 |
| Closing balance at 31 March | (1,862,450) | (1,884,558) | (38,956) | (36,904) |

| | Total Liabilities: Scottish Teachers Superannuation Scheme (All Unfunded) £'000 | |
|--|--|-----------------|
| | 2020/21 | 2021/22 |
| Opening balance at 1 April | (26,746) | (26,924) |
| Interest cost | (622) | (549) |
| Remeasurement (gains) and losses: | | |
| · Actuarial gains/losses arising from changes in demographic assumptions | 162 | 184 |
| · Actuarial gains/losses arising from changes in financial assumptions | (2,447) | (280) |
| · Other | 1,075 | (75) |
| Benefits paid | 1,654 | 1,607 |
| Closing balance at 31 March | (26,924) | (26,037) |

Local Government Pension Scheme assets comprised:

| | Fair value of asset schemes 2020/21 £'000 | % | Fair value of asset schemes 2021/22 £'000 | % |
|------------------------------|--|---------------|--|---------------|
| Cash and cash equivalents | 52,253 | 3.0% | 52,869 | 2.9% |
| Equity instruments: | | | | |
| • UK quoted and unquoted | 288,188 | | 229,220 | |
| • Global quoted and unquoted | 415,543 | | 528,154 | |
| • Global Frontier Fund | 0 | | 0 | |
| • Pooled UK & Global | 343,983 | | 317,215 | |
| Sub-total equity | 1,047,714 | 59.1% | 1,074,589 | 60.0% |
| Bonds: | | | | |
| • Corporate | 16,650 | | 0 | |
| • Government | 88,919 | | 146,958 | |
| Sub-total bonds | 105,569 | 6.0% | 146,958 | 8.2% |
| Property: | | | | |
| • UK direct | 100,786 | | 116,850 | |
| • Property funds - global | 0 | | 0 | |
| • Property funds - UK | 0 | | 0 | |
| Sub-total property | 100,786 | 5.7% | 116,850 | 6.5% |
| Private Equity: | | | | |
| • European | 0 | | 0 | |
| • UK | 136,743 | | 153,231 | |
| • Global | 57,035 | | 55,557 | |
| Sub-total private equity | 193,778 | 10.9% | 208,788 | 11.6% |
| Other Investment Funds: | | | | |
| • Infrastructure | 32,769 | | 31,005 | |
| • Diversified Growth Funds | 104,506 | | 0 | |
| • Other Loan Fund | 0 | | 0 | |
| • Multi Asset Credit | 133,909 | | 161,117 | |
| Sub-total investment funds | 271,184 | 15.3% | 192,122 | 10.7% |
| Total assets | 1,771,284 | 100.0% | 1,792,176 | 100.0% |

Basis for estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

| | Local Government Pension Scheme | | Scottish Teachers Superannuation Scheme | |
|---|---------------------------------|---------|---|---------|
| | 2020/21 | 2021/22 | 2020/21 | 2021/22 |
| 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 | - | - |
| Women | 26.3 | 26.3 | - | - |
| Rate of inflation | 2.7% | 3.3% | 2.7% | 3.5% |
| Rate of increase in salaries | 4.2% | 4.8% | 4.2% | 4.8% |
| Rate of increase in pensions | 2.8% | 3.4% | 2.8% | 3.6% |
| Rate for discounting scheme liabilities | 2.1% | 2.8% | 2.1% | 2.8% |

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

Impact on the Defined Benefit Obligation in the Scheme:

| | Increase in Assumption £'000 | Increase in Assumption £'000 |
|--|---------------------------------|---------------------------------|
| | 2020/21 | 2021/22 |
| Longevity (increase by 1 year in life expectancy) | 57,417 | 57,378 |
| Rate of inflation (increase by 0.1%) | 33,183 | 33,576 |
| Rate of increase in salaries (increase by 0.1%) | 3,851 | 3,437 |
| Rate for discounting scheme liabilities (increase by 0.1%) | (32,601) | (32,989) |

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.

The Council's Waste and Recycling Facility at Altens East, operated by Suez, suffered a severe fire on 8 July 2022. The fire has implications for the Council balance sheet in respect of the impairment of non-current assets by £26.09m, and insurance is in place to address the damage that has been done and the reinstatement of the facilities. As this event occurred after the reporting period no adjustments have been made to the financial statements.

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 2021/22 is shown in the Remuneration Report. The Council nominates elected members to represent the Council on the Boards of many arm's length external organisations. Details of all members' interests are disclosed on the Council website at www.aberdeencity.gov.uk

Other Public Bodies

The Council is the administering authority for the North East Scotland Pension Fund and it charged the Pension Fund £1.757 million for this service in 2021/22 (2020/21, £1.736 million).

For 2021/22 the Council paid £33.340 million to the Pension Fund representing its employer contributions in respect of current and former employees (2020/21, £33.086 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 | 2020/21 | | 2021/22 | | Debtors | | Creditors | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| | Receipts £'000 | Payments £'000 | Receipts £'000 | Payments £'000 | 2020/21 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2021/22 £'000 |
| Grampian Valuation Joint Board | 0 | 1,786 | 0 | 1,729 | 0 | £'000 | 0 | 0 |
| Common Good | 2,013 | 66 | 1,639 | 156 | 0 | 203 | (31,433) | (10,062) |
| Trust Funds | 4,288 | 16 | 4,765 | 21 | 0 | 0 | (4,239) | (4,743) |
| Aberdeen Sports Village | 4 | 1,296 | (1) | 1,152 | 0 | 0 | 0 | 0 |
| Sport Aberdeen | 128 | (5,930) | 127 | (6,246) | 0 | 0 | (2,915) | (4,471) |
| Aberdeen Heat & Power | 17 | 3,378 | (20) | 4,105 | 0 | 0 | 0 | 0 |
| NESTRANS | 793 | 685 | (1,787) | 2,999 | 48 | 54 | (79) | (173) |
| SDPA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Scotland Excel | 0 | 175 | 0 | 177 | 0 | 0 | 0 | 0 |
| Bon Accord Care | 17 | (113) | 4 | (76) | 0 | 0 | (19) | 0 |
| Bon Accord Support Services | 963 | (31,403) | 4,466 | (32,175) | 8,308 | 0 | (1,290) | 0 |
| Aberdeen City Integration Joint Board | 144,853 | 98,170 | 147,446 | 108,954 | 0 | 0 | (1,013) | (1,013) |
| Total | 153,075 | 68,126 | 156,639 | 80,796 | 8,355 | 257 | (40,988) | (20,462) |

The majority of these bodies form part of the Council's group accounts which are set out on pages 158 to 177.

25. Leases

Council as Lessee*Finance Leases*

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

| Finance Lease Liabilities | 31 March 2021 | 31 March 2022 |
|---------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Current | 461 | 497 |
| Non Current | 57,141 | 56,643 |
| Finance costs payable in Future Years | 94,976 | 90,473 |
| Minimum Lease Payments | 152,578 | 147,614 |

The minimum lease payment will be payable over the following periods:

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|------------------------|---------------|---------------------------|---------------|
| | 31 March 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| Not later than one year | 5,000 | 5,000 | 461 | 497 |
| Later than one year not later than five years | 20,000 | 20,000 | 2,238 | 2,414 |
| Later than five years | 132,116 | 127,116 | 54,903 | 54,229 |
| | 157,116 | 152,116 | 57,602 | 57,141 |

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 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| Not later than one year | 321 | 266 | 106 | 81 |
| Later than one year and not later than five years | 622 | 472 | 47 | 15 |
| Later than five years | 4,288 | 4,354 | 0 | 0 |
| | 5,231 | 5,092 | 153 | 95 |

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

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

| | 31 March 2021 | 31 March 2022 |
|---|----------------------|----------------------|
| | £'000 | £'000 |
| Not later than one year | 173 | 159 |
| Later than one year and not later than five years | 520 | 478 |
| | 693 | 637 |

Council as Lessor

Operating Leases

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

| | Land and Buildings | | Hydrogen Buses | |
|---|---------------------------|----------------------|-----------------------|----------------------|
| | 31 March 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| Not later than one year | 4,333 | 5,217 | 72 | 72 |
| Later than one year and not later than five years | 12,431 | 15,979 | 276 | 204 |
| Later than five years | 165,987 | 172,262 | 0 | 0 |
| | 182,751 | 193,458 | 348 | 276 |

26. **Investment Properties**

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

| | 31 March 2021 | 31 March 2022 |
|---|----------------------|----------------------|
| | £'000 | £'000 |
| Rental and interest income from investment property | (13,654) | (16,636) |
| Expenses arising from investment property | 7,886 | 10,386 |
| Revaluation (gains)/losses | 5,167 | 6,750 |
| Net (gain)/loss | (601) | 500 |

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:

| | 2020/21 | 2021/22 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Balance at start of the year | 195,545 | 191,968 |
| Additions | 0 | 931 |
| Disposals | (1,125) | (790) |
| Net gains/(losses) from fair value adjustments | (3,668) | (6,749) |
| Transfers: | | |
| • (to)/from Property, Plant and Equipment | 1,216 | (34,743) |
| • (to)/from Assets Held for Sale | 0 | 0 |
| Balance at end of the year | 191,968 | 150,617 |

27. Heritage Assets

I Reconciliation of the Carrying Value of Heritage Assets held

| | City Monuments £'000 | Maritime & Social History £'000 | Numismatics £'000 | Science, Technology & Industry £'000 | Art Collection £'000 | Civic Insignia £'000 | Total Assets £'000 |
|--------------------------|----------------------------|---------------------------------------|----------------------|---|-------------------------|-------------------------|-----------------------|
| Cost or valuation | | | | | | | |
| At 1 April 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 |
| At 31 March 2021 | 608 | 1,708 | 17 | 0 | 195,435 | 300 | 198,068 |
| Cost or valuation | | | | | | | |
| At 1 April 2021 | 608 | 1,708 | 17 | 0 | 195,435 | 300 | 198,068 |
| Additions | 0 | 0 | 0 | 0 | 35 | 0 | 35 |
| Revaluations | 0 | 0 | 0 | 0 | (1,831) | 0 | (1,831) |
| At 31 March 2022 | 608 | 1,708 | 17 | 0 | 193,639 | 300 | 196,272 |

City Monuments

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

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

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

Art Collection

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

Civic Insignia

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

ii Heritage Assets: Further Information on the Museum's Collections**City Monuments**

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

Maritime & Social History

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

Numismatics

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

Science, technology and industry

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

Fine Art Collection

The collection consists of over 14,000 items including paintings, sculptures and other media which are of local, national and international significance. The major strengths of the collections range from the period c.1850 to present day, with particularly rich holdings of the 19th and 20th century Scottish art, early 20th century English art and a growing collection of challenging international art of the 21st century. Artists' portraits and self-portraits form one important collection area as does the unrivalled holding of work by James McBey. The collection also has particularly significant items in terms of both value and note, including an excellent oil canvas by Francis Bacon "Pope I – Study after Pope Innocent X by Velasquez" which was valued by Sotheby's at £70 million on 24 January 2018.

Applied and Decorative Art

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

Civic Insignia

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

Archaeology

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

Library & Information Services

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

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

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

Preservation and Management

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

28. Property, Plant and Equipment

Movements in 2020/21:

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant & Equipment | PPP Assets included in Property, Plant & Equipment |
|--|-------------------|--------------------------|-----------------------------|-----------------------|------------------|----------------|---------------------------|-----------------------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | | |
| At 1 April 2020 | 1,018,865 | 1,177,521 | 70,599 | 369,950 | 30,293 | 8,807 | 53,815 | 2,729,850 | 192,607 |
| 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 |
| At 31 March 2021 | 856,949 | 1,190,459 | 66,430 | 382,757 | 30,493 | 10,190 | 92,571 | 2,629,849 | 194,038 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| At 1 April 2020 | (118,745) | (39,870) | (43,465) | (121,821) | 0 | 0 | 0 | (323,901) | (591) |
| 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 |
| At 31 March 2021 | (3,008) | (67,418) | (39,848) | (133,031) | 0 | 0 | 0 | (243,305) | (4,256) |
| Net Book Value | | | | | | | | | |
| At 31 March 2021 | 853,941 | 1,123,041 | 26,582 | 249,726 | 30,493 | 10,190 | 92,571 | 2,386,544 | 189,782 |
| At 31 March 2020 | 900,120 | 1,137,651 | 27,134 | 248,129 | 30,293 | 8,807 | 53,815 | 2,405,949 | 192,016 |

Property, Plant and Equipment

Movements in 2021/22:

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant & Equipment | Infrastructure Assets * | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant & Equipment | PPP Assets included in Property, Plant & Equipment |
|--|-------------------|--------------------------|-----------------------------|-------------------------|------------------|----------------|---------------------------|-----------------------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | | |
| At 1 April 2021 | 856,949 | 1,190,459 | 66,430 | | 30,493 | 10,190 | 92,571 | 2,247,092 | 194,038 |
| Additions | 98,758 | 17,046 | 10,681 | | 528 | 147 | 72,753 | 199,913 | 759 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 7,948 | 12,140 | 0 | | 0 | (252) | 0 | 19,836 | 0 |
| Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (61,604) | (54,615) | 0 | | 0 | (806) | 0 | (117,025) | 0 |
| Derecognition – Disposals | 0 | 0 | (2,254) | | 0 | (900) | 0 | (3,154) | 0 |
| Derecognition – Other | 0 | 0 | (445) | | 0 | (500) | 0 | (945) | 0 |
| Reclassifications and Transfers | 0 | 74,546 | 0 | | 0 | (1,736) | (36,360) | 36,450 | 0 |
| At 31 March 2022 | 902,051 | 1,239,576 | 74,412 | | 31,021 | 6,143 | 128,964 | 2,382,167 | 194,797 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| At 1 April 2021 | (3,008) | (67,418) | (39,848) | | 0 | 0 | 0 | (110,274) | (4,256) |
| Depreciation charge | (31,508) | (29,137) | (6,372) | | 0 | 0 | 0 | (67,017) | (3,687) |
| Depreciation written out to the Revaluation Reserve | 12,688 | 46,392 | 0 | | 0 | 0 | 0 | 59,080 | 0 |
| Depreciation written out to the Surplus / Deficit on the Provision of Services | 5,267 | 16,838 | 0 | | 0 | 0 | 0 | 22,105 | 0 |
| Derecognition – Disposals | 11,963 | 0 | 2,041 | | 0 | 0 | 0 | 14,004 | 0 |
| Derecognition – Other | 0 | 0 | 446 | | 0 | 0 | 0 | 446 | 0 |
| Reclassifications and Transfers | 0 | 285 | 0 | | 0 | 0 | 0 | 285 | 0 |
| At 31 March 2022 | (4,598) | (33,040) | (43,733) | | 0 | 0 | 0 | (81,371) | (7,943) |
| Net Book Value | | | | | | | | | |
| At 31 March 2022 | 897,453 | 1,206,536 | 30,679 | 259,559 | 31,021 | 6,143 | 128,964 | 2,560,355 | 186,854 |
| At 31 March 2021 | 853,941 | 1,123,041 | 26,582 | 249,726 | 30,493 | 10,190 | 92,571 | 2,386,544 | 189,782 |

* As noted on page 77, the Council has chosen to adopt both Infrastructure Asset overrides for 2021/22.

Valuations

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 2022 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 2022, the Council has a number of ongoing and new contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years. The major commitments amounting to £5 million or more are detailed below with equivalent figures provided for 31 March 2021.

| Major Capital Contractual Commitments | As at 31 March 2021 £'000 | As at 31 March 2022 £'000 |
|---|--------------------------------------|--------------------------------------|
| Aberdeen Western Peripheral Route (main contract awarded December 2012) | 14,443 | 9,506 |
| TECA (all main contracts awarded 31/03/19) | 8,176 | 0 |
| Union Terrace Gardens redevelopment (contract signed July 2019) | 17,149 | 5,085 |
| Energy from Waste (contract signed August 2019) | 42,055 | 30,446 |
| Early Learning & Childcare Expansion (main contractor appointed September 2019) | 7,088 | 2,908 |
| Milltimber Primary (contract awarded 24 July 2020) | 13,901 | 799 |
| Countesswells Primary (work commenced October 2021) | 0 | 11,359 |
| Torry Heat Network (contract awarded August 2021) | 0 | 15,840 |
| JIVE (Hydrogen Buses Phase 2) (project commenced January 2017) | 0 | 7,008 |
| New Build Housing – Summerhill | 36,376 | 20,938 |
| New Build Housing – Wellheads | 5,634 | 12,278 |
| New Build Housing – Auchmill | 10,939 | 2,463 |
| New Build Housing – Cloverhill | 0 | 55,053 |

155,761**173,683**

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.

| | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant and Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total £'000 |
|--------------------------------|--|---|--|--|---------------------------------------|-------------------------------------|--|------------------------|
| Carried at historical cost | 54,406 | (78,789) | 68,484 | 191,110 | 21,359 | 18,576 | 16,161 | 291,307 |
| Valued at fair value as at: | | | | | | | | |
| 31 March 2022 | 836,515 | 694,178 | 0 | 0 | 0 | 6,143 | 0 | 1,536,836 |
| 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 |
| Total cost or valuation | 1,756,714 | 1,359,327 | 68,484 | 191,110 | 21,359 | 65,240 | 16,161 | 3,478,395 |

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

29. Capital Expenditure and Capital Financing

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

| | HRA | General Fund | Total | HRA | General Fund | Total |
|---|-----------------|------------------|------------------|----------------|------------------|------------------|
| | 2020/21 | 2020/21 | 2020/21 | 2021/22 | 2021/22 | 2021/22 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening Capital Financing Requirement | 261,159 | 1,077,136 | 1,338,295 | 239,193 | 1,100,715 | 1,339,908 |
| <i>Capital investment</i> | | | | | | |
| Property, Plant and Equipment | 56,696 | 84,399 | 141,095 | 99,525 | 122,866 | 222,391 |
| Heritage Assets | 0 | 11 | 11 | 0 | 36 | 36 |
| Investment Properties | 0 | 0 | 0 | 0 | 931 | 931 |
| Aberdeen Harbour Board | 0 | 0 | 0 | 0 | 0 | 0 |
| Loan for National Housing Trust Initiative | 0 | (6,742) | (6,742) | 0 | 0 | 0 |
| | | | | | | |
| <i>Sources of finance</i> | | | | | | |
| Capital receipts | (61) | (302) | (363) | (135) | (308) | (443) |
| Government grants and other contributions | (43,854) | (42,856) | (86,710) | (19,056) | (41,197) | (60,253) |
| Sums set aside from revenue: | | | | | | |
| • Direct revenue contributions | 410 | 0 | 410 | 475 | 0 | 475 |
| • Capital for Current Revenue (CFCR) | (33,390) | (266) | (33,656) | (28,654) | (3,364) | (32,018) |
| • Loans fund principal | (1,767) | (7,217) | (8,984) | (1,811) | (8,205) | (10,016) |
| • PPP liability/Finance Lease repayments | 0 | (3,448) | (3,448) | 0 | (5,099) | (5,099) |
| Closing Capital Financing Requirement | 239,193 | 1,100,715 | 1,339,908 | 289,537 | 1,166,375 | 1,455,912 |
| | | | | | | |
| <i>Explanation of movements in year</i> | | | | | | |
| Increase/(Decrease) in underlying need to borrow | (21,966) | 27,028 | 5,062 | 50,344 | 70,759 | 121,103 |
| Assets acquired under PFI/PPP contracts | 0 | (3,448) | (3,448) | 0 | (5,099) | (5,099) |
| Increase/(decrease) in Capital Financing Requirement | (21,966) | 23,580 | 1,614 | 50,344 | 65,660 | 116,004 |

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 2021/22 | 6,468 | 3,191 | 6,278 | 15,937 | 487 | 1,336 | 2,039 | 3,861 |
| Payable within two to five years | 31,802 | 12,282 | 24,041 | 68,125 | 2,504 | 5,691 | 7,473 | 15,667 |
| Payable within six to ten years | 42,193 | 22,496 | 26,542 | 91,231 | 4,686 | 7,741 | 7,700 | 20,127 |
| Payable within eleven to fifteen years | 43,646 | 33,402 | 21,651 | 98,699 | 5,207 | 10,013 | 5,583 | 20,804 |
| Payable within sixteen to twenty years | 17,860 | 18,214 | 7,560 | 43,634 | 6,001 | 12,763 | 2,806 | 21,570 |
| Payable within twenty one to twenty five years | 0 | 0 | 0 | 0 | 1,730 | 3,437 | 177 | 5,344 |
| Payable within twenty six to thirty years | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 141,969 | 89,585 | 86,072 | 317,626 | 20,614 | 40,980 | 25,779 | 87,374 |

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:

| | 2020/21 | 2021/22 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Balance outstanding at start of year | 138,223 | 135,203 |
| Additions during year | 0 | 0 |
| Payments during year | (3,020) | (4,638) |
| Balance outstanding at end of year | 135,203 | 130,565 |

31. Assets Held for Sale

| | 2020/21 | 2021/22 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Balance outstanding at start of year | 15,200 | 13,700 |
| Assets newly classified as held for sale: | | |
| Property, Plant and Equipment | 0 | 0 |
| Investment Properties | 0 | 0 |
| Revaluation gains and (losses) | (1,500) | 0 |
| Reclassifications and transfers | 0 | (1,707) |
| Assets sold | 0 | 0 |
| Balance outstanding at end of year | 13,700 | 11,993 |

32. Inventories

| | Consumable Stores & Maintenance Materials | | Client Services Work In Progress | | Property Acquired or Constructed for Sale | | Total | |
|---|---|------------------|----------------------------------|------------------|---|------------------|------------------|------------------|
| | 2020-21 £'000 | 2021-22 £'000 | 2020-21 £'000 | 2021-22 £'000 | 2020-21 £'000 | 2021-22 £'000 | 2020-21 £'000 | 2021-22 £'000 |
| Balance outstanding at start of year | 2,320 | 2,056 | (303) | 15 | 0 | 0 | 2,017 | 2,071 |
| Purchases | 10,142 | 13,804 | 24,467 | 53,964 | 0 | 0 | 34,609 | 67,768 |
| Recognised as an expense in the year | (10,406) | (12,839) | (24,149) | (53,953) | 0 | 0 | (34,555) | (66,792) |
| Written-off balances | 0 | (140) | 0 | 0 | 0 | 0 | 0 | (141) |
| Balance outstanding at end of year | 2,056 | 2,881 | 15 | 26 | 0 | 0 | 2,071 | 2,906 |

33. Short Term Debtors

| | 31 MARCH 2021 £'000 | 31 MARCH 2022 £'000 |
|---------------------------------------|------------------------|------------------------|
| Central government bodies | 18,179 | 38,545 |
| Other local authorities | 13,190 | 7,959 |
| NHS bodies | 8,263 | 473 |
| Public corporations and trading funds | 865 | 1,809 |
| Other entities and individuals | 173,569 | 146,753 |
| Gross Total | 214,066 | 195,539 |
| Deduct: Provision for Impairment | (74,677) | (82,510) |
| Net Total | 139,389 | 113,029 |

34. Short Term Creditors

| | 31 MARCH 2021 £'000 | 31 MARCH 2022 £'000 |
|---------------------------------------|------------------------|------------------------|
| Central government bodies | (28,233) | (31,115) |
| Other local authorities | (1,240) | (2,000) |
| NHS bodies | (1,730) | (14) |
| Public corporations and trading funds | (3,021) | (4,548) |
| Other entities and individuals | (82,849) | (84,930) |
| Total | (117,073) | (122,607) |

35. Provisions

| 2021/22 | Note 1 Compensation Payments - Equal Pay & VS/ER £'000 | Note 2 Property - Asset Management £'000 | Note 3 Housing Benefit Subsidy £'000 | Note 4 Legal Costs £'000 | Note 5 Other £'000 | TOTAL £'000 |
|---------------------------------------|--|---|---|-----------------------------------|--------------------------|----------------|
| Balance at 1 April 2021 | (197) | (551) | (100) | (35) | (217) | (1,100) |
| Additional provisions made in 2021/22 | (683) | 0 | 0 | (3,000) | (83) | (3,766) |
| Amounts used in 2021/22 | 700 | 0 | 0 | 0 | 31 | 731 |
| Unused amounts reversed in 2021/22 | 4 | 0 | 0 | 0 | 47 | 51 |
| Balance at 31 March 2022 | (177) | (551) | (100) | (3,035) | (222) | (4,084) |
| <i>Represented by:</i> | | | | | | |
| Current provisions | (177) | 0 | (100) | (3,034) | (222) | (3,533) |
| Long term provisions | 0 | (551) | 0 | 0 | 0 | (551) |

Notes on Provisions
1. Compensation Payments – Voluntary Severance/Early Retirement costs- £0.177 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. £0.02m of this provision has been used in 2021-22, with the remaining balance of £0.177m carried forward to 2022-23.

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 2021 and 2022. 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 2022/23.

4. Other

- **Legal Cases - £0.034 million**

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

- **IFRS Impairment - £0.139 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. This provision was decreased by £18k in 2021/22 and a balance of £139k is being carried forward to 2022/23.

- **Customer Digital Provision - £0.083 million**

A provision of 7.5% of the annual value of the laptop rental agreement has been established for the end of the lease agreement to deal with any contract end charges that relate to unreturned or damaged devices. The lease agreement ends September 2023.

- **Legal costs Solar Panels - £3 million**

This provision relates to a contractual dispute which was settled in April 2022.

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 2022, 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 2022 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.

- **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 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 possibility of liabilities arises in cases where the developer is not adhering to the agreed payment schedule and the Council elects to proceed with a project where that developer obligation funding is due. In these cases, unless a resolution can be found with the developer, the Council may be exposed to additional costs due to higher levels of borrowing than originally anticipated in order to "cashflow" a legally committed project. Costs could apply to the short, medium or long-term depending on the circumstances.

The Council's Risk Board agreed that the Developer Obligations working group would escalate to Corporate Management Team any developers who fall behind on payments, and where necessary this will be reported to City Growth & Resources Committee. This is a risk which may crystalize in the current housing market conditions due to high supply costs and reduced supply of labour.

The inherent risk with all developer obligation funded projects is whether the build rate of the development is triggering financial contributions at the rate required to fund the Council projects involved. Where the Council project advances more quickly than the development, the Council may have to step in to "cashflow" the necessary funding requirement. Where a project has not been legally committed, a failure to receive the supporting developer obligation funding may require a discussion to determine whether the project should be paused, or even stopped completely. More detailed monitoring is therefore required by Planning to forecast expected build rates on developments and map out the timelines of expected trigger points for release of funding.

- **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.

The Council are aware that the construction industry is now experiencing shortage of products, raw materials, staffing and logistical support which is impacting on current and future costs across the UK. Ordering lead times are extending across the sector with the risk of increased delay impacts to projects. There is evidence of a contraction in the construction industry particularly in terms of small to medium sized suppliers. The war in Ukraine and resulting economic sanctions placed on Russia and Belarus has further exacerbated supply chain issues for some commodities e.g. bituminous materials, steel etc. which were sourced from eastern Europe.

- **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 introduced a redress Bill on 13 August 2020 for survivors of abuse in care in Scotland. Survivors as an alternative to civil litigation may choose to apply for redress. Local Authorities, as a Local Government sector, will pay financial contributions towards the redress scheme and this has now been agreed as part of the Local Government Settlement and will be applied for the next 10 years.

The Council may still receive civil claims relating to periods of time in care. The costs of these are unquantifiable at this time but will give rise to a future financial liability.

- **Structural Safety (RAAC)**

As a result of the Standing Committee on Structural Safety (SCPSS) releasing an alert in connection with Reinforced Autoclaved Aerated Concrete (RAAC) Planks, which were commonly used in public buildings in the 1960's, 1970's and 1980's, the Council has put in place a programme of inspections to give some assurance over whether these materials are present within any of their properties. At this time, it is not known the extent of the issue (if any) or any remedial costs. This may create a future financial liability.

- **COVID-19 Impact**

Statute and government guidance restricting the movement of people and effectively locking down the country has now eased; however, restrictions have not yet been fully lifted and the virus continues to circulate. Whilst the Council has prepared its 2022/23 budget to include known Covid-19 related implications, there remains the possibility that further costs may arise that were not previously identified.

37. Grant Income

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

| <u>Grant Income</u> | | | |
|---|--|----------------|----------------|
| | | 2020/21 | 2021/22 |
| | | £'000 | £'000 |
| Credited to Taxation and Non Specific Grant Income | | | |
| Total revenue Funding Grant | | 335,226 | 360,369 |
| Total revenue Funding Grant - COVID Consequentials Income | | 15,199 | 9,195 |
| Total revenue Funding Grant - COVID Local Authority Recovery Fund | | - | 2,865 |
| Total revenue Funding Grant - COVID Education Recovery | | 2,722 | 1,943 |
| Total revenue Funding Grant - COVID Financial Insecurity flexible funding | | - | 718 |
| Total revenue Funding Grant - COVID Tenant Grant Fund | | - | 414 |
| Total revenue Funding Grant - COVID Self Isolation Assistance | | - | 300 |
| Total revenue Funding Grant - COVID Business Support Grant | | 464 | 157 |
| Total revenue Funding Grant - COVID Low Income Pandemic Payments | | - | 124 |
| Total revenue Funding Grant - COVID CO2 Monitors | | - | 101 |
| Total revenue Funding Grant - COVID Free School Meals * | | 590 | (166) |
| 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 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 Children & Young People MH&W | | 576 | - |
| 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 Test and Protect | | 161 | - |
| Total revenue Funding Grant - COVID PESF Boost | | 152 | - |
| Total revenue Funding Grant - COVID Other | | 82 | - |
| | | 379,693 | 376,020 |
| *Duplicate funding received | | | |

| | 2020/21 | 2021/22 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Credited to Services | | |
| Department of Work and Pensions | | |
| Housing Benefit Grant | 44,461 | 39,834 |
| Discretionary Housing Payment | 408 | 1,483 |
| Housing Benefit Admin Grant | 727 | 559 |
| National Health Service | | |
| Integrated care funding | 51,461 | 45,717 |
| Other | 3 | 0 |
| Other Local Authorities | | |
| Western Peripheral Route Works | 3,823 | 382 |
| Scottish Government | | |
| ELC Expansion | 26,073 | 27,667 |
| NE Economic Recovery & Skills | - | 8,441 |
| S27 Community Justice Grant | 4,955 | 4,982 |
| Pupil Equity Fund | 3,327 | 3,214 |
| Scotland's Schools for the Future Design, Build, Finance, Maintain Projects (Lochside Academy) | 2,741 | 2,748 |
| HEEPS - Home Insulation | 420 | 1,220 |
| COVID Additional School Staffing Funding | 968 | 1,183 |
| City Centre Recovery Fund | - | 1,010 |
| Attainment Challenge | 976 | 844 |
| Young Person's Guarantee | 18 | 639 |
| Space for People | 1,476 | 635 |
| Mental Health & Wellbeing Framework | - | 576 |
| COVID Hardship Funding | - | 382 |
| Electric Vehicles | 80 | 323 |
| Education Maintenance | 331 | 314 |
| Neurodevelopmental Specification | - | 292 |
| COVID Funding - Other | 153 | 605 |
| Winter Grant Vulnerable Children | 3,025 | 168 |
| Additional Support For Learning | 507 | - |
| JIVE Project - Hydrogen Buses | 273 | - |
| COVID Discretionary Funding | 1,305 | - |
| COVID Food Fund FSM | 287 | - |
| Other | 897 | 1,572 |
| European Funding | | |
| HECTOR Waste Vehicle | 616 | 751 |
| Hytrec | 151 | 271 |
| Civitas | 685 | (117) |
| Other | 506 | 204 |
| Home Office | | |
| Afgan Bridging Accommodation | - | 1,087 |
| Syrian Refugee Resettlement Programme | 287 | 804 |
| Other | 94 | 83 |
| Sport Scotland | 408 | 434 |
| Creative Scotland | 180 | 262 |
| Transport Scotland | | |
| Western Peripheral Route Works | 41,896 | 42,937 |
| Other | 105 | 18 |
| Other | 198 | 297 |
| Total | 193,820 | 191,824 |
| | | 567,845 |

* 2020/21 'Scottish Government Other' has been restated as Young Person's Guarantee has been identified separately in 21/22.

** 2020/21 'European Funding Other' has been restated to include Hydrogen Bus Project and Hytrec has been identified separately in 21/22.

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:

| | 2020/21 £000 | 2021/22 £000 |
|--|-----------------|-----------------|
| Revenue Grants - Receipts in Advance | | |
| CORRA Foundation Grant | 0 | 61 |
| Food Standard Scotland Grant | 134 | 117 |
| HECTOR | 103 | 0 |
| Home Office Refugees | 895 | 0 |
| No One Left Behind | 238 | 0 |
| Pavement Parking Enforcement | 67 | 0 |
| Pedelecs H2 Bikes | 131 | 0 |
| Scottish Government - Care Experienced & Young People | 0 | 477 |
| Scottish Government - Delivery Equally Safe | 0 | 58 |
| Scottish Government - Employability/YPG | 1133 | 418 |
| Scottish Government - Hardship Funding | 0 | 11 |
| Scottish Government - Library Improvement Fund | 10 | 19 |
| Scottish Government - Road Assessment/Parking Prohibitions | 0 | 34 |
| Scottish Government - Travelling People | 0 | 76 |
| SLAB Debt Advice Funding | 0 | 61 |
| Other - Various | 198 | 106 |
| Total | 2,909 | 1,438 |
| Capital Grant - Receipts in Advance | | |
| AWPR De-trunking | 8071 | 7006 |
| Data Cluster | 18 | 18 |
| Elc Capital Payment | 6364 | 0 |
| Gypsy Traveller Grant | 103 | 0 |
| Place Based Funding | 0 | 213 |
| Scottish Government Flood Grant | 378 | 375 |
| Scottish Government JIVE | 5227 | 5227 |
| Scottish Government Low Emissions Zone | 0 | 418 |
| Scottish Government Mortuary Grant | 0 | 18000 |
| Town Centre Fund | 886 | 0 |
| Total | 21,047 | 31,257 |

38. Financial Instruments

Categories of Financial Instruments

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

| Financial Instruments Balances | Long term | | Current | |
|--|------------------------|------------------------|------------------------|------------------------|
| | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 |
| Investments | | | | |
| Loans and receivables | 0 | 0 | 40,277 | 20,025 |
| Interest in group entities | 16,343 | 15,503 | 0 | 0 |
| Total investments | 16,343 | 15,503 | 40,277 | 20,025 |
| | | | | |
| Debtors | | | | |
| Loans and receivables | 742 | 657 | 0 | 0 |
| Financial assets carried at contract amount | 0 | 0 | 139,389 | 113,029 |
| Total debtors | 742 | 657 | 139,389 | 113,029 |
| | | | | |
| Borrowings | | | | |
| Financial liabilities at amortised cost | (1,003,256) | (1,043,105) | (232,391) | (223,359) |
| Total borrowings | (1,003,256) | (1,043,105) | (232,391) | (223,359) |
| | | | | |
| Other Long term Liabilities | | | | |
| PPP liabilities | (130,565) | (126,038) | (4,638) | (4,527) |
| Total other long term liabilities | (130,565) | (126,038) | (4,638) | (4,527) |
| | | | | |
| Creditors | | | | |
| Financial liabilities carried at contract amount | 0 | 0 | (117,073) | (122,607) |
| Total creditors | 0 | 0 | (117,073) | (122,607) |

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 £53.9m 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) | 2020/21 | | | 2021/22 | | |
|---|-------------------------------------|--------------------------------|-----------------|-------------------------------------|--------------------------------|-----------------|
| | 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 | (45,440) | 0 | (45,440) | (49,548) | 0 | (49,548) |
| Total expense in Surplus or (Deficit) on the Provision of Services | (45,440) | 0 | (45,440) | (49,548) | 0 | (49,548) |
| Interest income | 0 | 538 | 538 | 0 | 359 | 359 |
| Total income in Surplus or (Deficit) on the Provision of Services | 0 | 538 | 538 | 0 | 359 | 359 |
| Net Interest | (45,440) | 538 | (44,902) | (49,548) | 359 | (49,189) |

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 | 2020/21 | | | | 2021/22 | | | |
|--------------------------|-------------------------|---|-------------------------------------|---|-------------------------|---|-------------------------------------|---|
| | Classification | | Treatment | | Classification | | Treatment | |
| | Amortised Cost £'000 | Fair Value through Profit and Loss £'000 | Total Impairment Allowance £'000 | Adjustment through Profit and Loss £'000 | Amortised Cost £'000 | Fair Value through Profit and Loss £'000 | Total Impairment Allowance £'000 | Adjustment through Profit and Loss £'000 |
| Loans and Receivables | 127,962 | | 158 | | 88,577 | | 0 | |
| Interest in Group Entity | | 16,343 | | 747 | | 15,504 | | 840 |

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 2022 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 2022) arising from a commitment to pay interest to lenders above current market rates.

| Fair Value of Liabilities | 31 March 2021 | | | | | 31 March 2022 | | | | |
|---|--------------------------------|---------------------------|--------------------------|---|--------------------------------------|--------------------------------|---------------------------|--------------------------|---|--------------------------------------|
| | 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 | (480,434) | (6,891) | (487,325) | (850,779) | (688,306) | (510,434) | (6,900) | (517,334) | (850,779) | (688,306) |
| POBOs | (93,893) | (691) | (94,584) | (191,765) | (143,116) | (93,893) | (696) | (94,589) | (191,765) | (143,115) |
| Bond Issuance | (352,633) | (1,200) | (353,833) | (433,679) | (415,145) | (342,117) | (1,228) | (343,345) | (417,341) | (410,901) |
| Bond EIR | (56,473) | 0 | (56,473) | (56,473) | (56,473) | (68,810) | 0 | (68,810) | (68,810) | (68,810) |
| Bond Premium | (37,757) | 0 | (37,757) | (37,757) | (37,757) | (36,192) | 0 | (36,192) | (36,192) | (36,192) |
| Transfer Interest to Short Term in line with Code requirements | 0 | 8,782 | 8,782 | 0 | 0 | 0 | 8,824 | 8,824 | 0 | 0 |
| Transfer borrowing repayable with 12 months to Short Term in line with Code requirements | | | 20,515 | 0 | 0 | | | 11,526 | 0 | 0 |
| Financial Instrument Adjustments | | | (2,581) | 0 | 0 | | | (3,185) | 0 | 0 |
| Total Long Term Borrowing | (1,021,190) | (0) | (1,003,256) | (1,570,453) | (1,340,797) | (1,051,446) | 0 | (1,043,105) | (1,564,887) | (1,347,324) |
| Short term borrowing | (204,218) | (42) | (204,260) | (204,260) | (204,260) | (204,172) | (112) | (204,284) | (204,284) | (204,284) |
| Transfer Interest from Long Term in line with Code requirements | 0 | (7,616) | (7,616) | 0 | 0 | 0 | (7,630) | (7,560) | 0 | 0 |
| Transfer borrowing repayable with 12 months from Long Term in line with Code requirements | | | (20,515) | 0 | 0 | | | (11,515) | 0 | 0 |
| Total Short Term Borrowing | (204,218) | (7,658) | (232,391) | (204,260) | (204,260) | (204,172) | (7,742) | (223,359) | (204,284) | (204,284) |

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.

| | 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 | 127,220 | 275 | 127,495 | 127,495 | 88,379 | 202 | 88,581 | 88,577 |

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 £88.4m 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 2022 that this was likely to crystallise.

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

| Credit Risk A | | | | | |
|--|--|--|---|--|--|
| Estimated maximum exposure at 31 March 2021 £'000 | | Amount at 31 March 2022 £'000 | Historical experience of default % | Historical experience adjusted for market conditions at 31 March 2022 % | Estimated maximum exposure to default and uncollectability at 31 March 2022 £'000 |
| | | A | B | C | (A x C) |
| 0 | Deposits with banks and building societies | 88,581 | 0 | 0 | 0 |
| 2,122 | Customers | 52,873 | 1.78% | 1.78% | 941 |
| 2,122 | | | | | 941 |

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 £52.9m is past its due date for payment. The past due amount can be analysed by age as follows:

| Credit Risk B | 31 March 2021 £'000 | 31 March 2022 £'000 |
|------------------------|--------------------------------|--------------------------------|
| Less than three months | 16,092 | 24,949 |
| Three to six months | 3,132 | 1,569 |
| Six months to one year | 3,259 | 3,014 |
| More than one year | 25,087 | 23,341 |
| | 47,570 | 52,873 |

Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

| | 31 March 2021 | 31 March 2022 |
|----------------------------|----------------------|----------------------|
| | £'000 | £'000 |
| Less than one year | 236,172 | 217,128 |
| Between one and two years | 11,527 | 10,527 |
| Between two and five years | 31,646 | 31,646 |
| Between five and ten years | 62,980 | 62,980 |
| More than ten years | 800,290 | 840,290 |
| | 1,142,615 | 1,162,571 |

In the "More than 10 years" category in the table above there are £53.9 million of LOBOs which have a call date in the next 12 months. All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of 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.

£342.1 million of the Council's borrowings are in the form of a bond which is index-linked to RPI. The amount of principal and interest to be paid is therefore dependent on changes in RPI. For example, a 1% increase in the rate of RPI compared to the prevailing rate would result in an annual increase of £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 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | £'000 |
|---|----------------|
| Increase in interest payable on variable rate borrowings | 539 |
| Increase in interest receivable on variable rate investments | (935) |
| Impact on Surplus or Deficit on the Provision of Services | (396) |
| Share of overall impact debited to the HRA | (78) |
| 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) | 198,038 |
| 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 2021/22, the average interest rates were 2.99% for capital (2020/21, 2.84%), 0.10% for revenue advances (2020/21, 0.09%) and 0.02% for expenses (2020/21, 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

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|-------------------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund | 396,557 | 397,314 | 413,355 | 538,587 | 667,392 | 804,437 | 912,588 | 939,559 | 1,008,826 |
| Trading Operations | 23,083 | 21,283 | 20,486 | 19,207 | 15,107 | 13,083 | 14,621 | 14,678 | 16,071 |
| Housing Revenue Account | 196,665 | 196,675 | 193,692 | 189,118 | 187,479 | 202,165 | 220,468 | 198,172 | 248,946 |
| Total | 616,305 | 615,272 | 627,533 | 746,912 | 869,978 | 1,019,685 | 1,147,677 | 1,152,409 | 1,273,843 |

| Loans Fund | | | Loans Fund | | |
|------------------|--|------------------|------------------------------|---|--------------------|
| Revenue Account | | | Balance Sheet as at 31 March | | |
| 2020/21 £'000 | | 2021/22 £'000 | 2020/21 £'000 | | 2021/22 £'000 |
| | Expenditure | | | Assets | |
| 32,708 | Interest paid to External Bodies | 36,433 | | Advances to: | |
| 112 | Interest paid to Other Council Accounts | 164 | 1,152,409 | Aberdeen City Council for Capital Expenditure | 1,273,843 |
| 261 | General Expenses | 238 | 2 | Other Bodies | 2 |
| 33,081 | | 36,835 | 12,025 | Rescheduled Premiums | 11,628 |
| | Income | | 1,164,436 | | 1,285,473 |
| | Interest & Expenses charged to Aberdeen City Council | | | Current Assets | |
| (26,439) | General Fund | (29,519) | 127,170 | Temporary Investments | 88,200 |
| (5,878) | Housing Revenue Account | (6,679) | 283 | Sundry Debtors | 203 |
| (410) | Trading Operations | (458) | 3,925 | Bank | 3,329 |
| (354) | From Temporary Investments | (179) | 1,295,814 | | 1,377,205 |
| (33,081) | | (36,835) | | Less: Current Liabilities | |
| | | | 99,031 | Temporary Advances from Council Services | 129,318 |
| | | | 7,616 | Sundry Creditors | 7,672 |
| | | | 106,647 | | 136,990 |
| | | | 1,189,167 | Net Assets | 1,240,215 |
| | | | | Financed by: | |
| | | | (480,434) | Public Works Loan Board | (510,434) |
| | | | (93,893) | Market Loans | (93,893) |
| | | | (352,632) | Negotiable Bonds | (342,117) |
| | | | (37,757) | Bond Premium | (36,192) |
| | | | (56,473) | Bond EIR | (68,810) |
| | | | (2) | Stock Issue & Gas Annuities | (2) |
| | | | (167,976) | Temporary Loans | (188,767) |
| | | | (1,189,167) | | (1,240,215) |

Jonathan Belford, CPFA
Chief Officer – Finance
27 September 2022

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

| 2020/21 £'000 | | 2021/22 | |
|------------------|-------------------------------------|----------|-----------------|
| | | £'000 | £'000 |
| | Income | | |
| (90,629) | Dwelling Rents | (91,262) | |
| (2,034) | Non dwelling Rents | (2,059) | |
| (2,210) | Other Income | (2,207) | |
| (94,873) | | | (95,528) |
| | Expenditure | | |
| 656 | Staff Costs | 1,204 | |
| 656 | | | 1,204 |
| | Premises Costs: | | |
| 27,159 | Repairs and Maintenance | 30,382 | |
| 3,362 | Maintenance of amenity areas | 3,435 | |
| 2,387 | Bad debts written off/provisions | 911 | |
| 3,017 | Loss of rent vacant periods | 4,093 | |
| 1,964 | Other costs | 2,062 | |
| 37,889 | | | 40,883 |
| | Administration Costs: | | |
| 8,755 | Management and Administration | 9,910 | |
| 555 | Other costs | 772 | |
| 9,310 | | | 10,682 |
| | Supplies and Services: | | |
| 3,608 | Communal Lighting and Heating, etc. | 4,373 | |
| 188 | Information Technology | 128 | |
| 263 | Other Costs | 216 | |
| 4,059 | | | 4,717 |

| 2020/21 £'000 | | 2021/22 | |
|------------------|--|----------|----------------|
| | | £'000 | £'000 |
| | Agencies: | | |
| 167 | Contributions | 167 | |
| 0 | Supporting People Contribution | 0 | |
| 453 | Tenant's Participation/Helplines | 353 | |
| 620 | | | 520 |
| | Capital Charges: | | |
| 34,222 | Depreciation | 31,508 | |
| 47,602 | Impairment of Non Current Assets | 44,373 | |
| 81,824 | | | 75,881 |
| 134,363 | Gross Expenditure | | 133,887 |
| | | | |
| 39,490 | Net Cost of HRA Services per Council's Comprehensive Income and Expenditure Statement | | 38,352 |
| | | | |
| 134 | Corporate and Democratic Core | 134 | |
| | | | 134 |
| 39,619 | Net Cost of HRA Services | | 38,481 |
| | | | |
| 349 | (Gain) / Loss on Sale of HRA Non Current Assets | 340 | |
| 5,878 | Interest payable and similar charges | 6,679 | |
| (13) | Interest and investment income | (39) | |
| 185 | Pensions interest and return on assets | 53 | |
| (43,853) | Non Specific Grant Income/Contributions (Affordable Housing Contribution for Council Tax) | (19,055) | |
| | | | |
| 2,165 | (Surplus)/deficit for the year on HRA Services | | 26,459 |

Movement on the Housing Revenue Account Statement

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|-------------------------------------|------------------|
| 0 | Transfer to/(from) the General Fund | 0 |
| 0 | Total | 0 |

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

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--|------------------|
| (349) | Gain or (loss) on sale of HRA non-current assets | 135 |
| 33,390 | Capital expenditure funded by the HRA | 28,654 |
| 0 | Transfer to/from the Capital Adjustment Account: | (475) |
| (81,824) | Depreciation and Impairment | (75,881) |
| 43,853 | Capital Grants and Contributions | 19,055 |
| 1,767 | Repayment of Debt | 1,811 |
| (488) | HRA share of contributions to or from the Pensions Reserve | (723) |
| | | |
| (22) | Adjustment involving the Accumulated Absences Account | 25 |
| 1 | Other Adjustments | 0 |
| (3,672) | | (27,399) |

2. Transfers (to) or from Reserves

| 2020/21 £'000 | | Notes | 2021/22 £'000 |
|------------------|---|-------|------------------|
| (12,796) | Balance on the HRA at start of Year | | (14,303) |
| | | | |
| 2,165 | (Surplus) or Deficit for the Year on HRA Income and Expenditure Statement | | 26,459 |
| (3,672) | Adjustments between Accounting Basis and Funding Basis Under Statute | 1 | (27,399) |
| (1,507) | Net (Increase) or Decrease Before Transfers to or (from) Reserves | | (940) |
| 0 | Transfers to or (from) Reserves | 2 | 0 |
| (1,507) | (Increase) or Decrease in Year on the HRA | | (940) |
| (14,303) | Balance on the HRA at end of Year | | (15,243) |

3. Housing Stock

The Council's housing stock at 31 March 2022 was 23,078 (22,554 at 31 March 2021) in the following categories:

| 2020/21 Number | Type of Property | 2021/22 Number |
|-------------------|---------------------------|-------------------|
| 1,989 | Sheltered Property | 1,986 |
| 4,192 | Cottage | 4,199 |
| 8,997 | Flat | 9,286 |
| 2,120 | Four in Block | 2,089 |
| 567 | Maisonette | 567 |
| 2,209 | Multi Storey Flat | 2,217 |
| 126 | Split Level Flat | 126 |
| 434 | Multi Storey Maisonette | 439 |
| 1,470 | Amenity | 1,493 |
| 415 | Homeless | 377 |
| 22,519 | Sub Total | 22,779 |
| 35 | Properties off the charge | 299 |
| 22,554 | HRA Total | 23,078 |
| | Other Assets | |
| 1 | Hostel | 1 |
| 239 | Garages Sites | 239 |
| 2,018 | Lock Up Garages | 2,006 |
| 904 | Parking Spaces | 848 |
| 17 | Travelling Peoples Sites | 17 |
| 3,179 | | 3,111 |

4. Rent Arrears

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|---------------------------|------------------|
| 9,329 | Current Tenant Arrears | 10,245 |
| 2,823 | Former Tenant Arrears | 4,456 |
| 12,152 | Total Rent Arrears | 14,701 |

5. Impairment of Debtors

In 2021/22 an impairment of £13,587,000 has been provided in the Balance Sheet for irrecoverable rents, an increase of £2,411,000 from the provision in 2020/21.

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 2021/22, which is set annually by the Scottish Ministers, is 49 pence. Two additional rates are levied on properties with a rateable value of over £51,000 (50.3 pence) and £95,000 (51.6 pence) respectively. In 2020/21, the NDR poundage rate was set at 49.8 pence and properties with a rateable value between £51,000 and £95,000 were charged an additional supplement of 1.3 pence on rates on top of the standard poundage. 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.

| 2020/21 £'000 | | 2021/22 | |
|------------------|--|-----------|------------------|
| | | £'000 | £'000 |
| (305,360) | Gross Rates Levied and Contributions in Lieu | (295,158) | (295,158) |
| | <i>Deduct:</i> | | |
| 120,707 | Reliefs, remissions, etc. | 97,155 | 97,155 |
| | Payment of Interest | | |
| 14,163 | Write off of uncollectable debts and allowances for impairment | 13,910 | 13,910 |
| (170,490) | Net Non Domestic Rate Income | | (184,093) |
| 11,084 | Adjustment to previous years' National Non Domestic Rates | | 13,767 |
| (159,406) | Contribution to Non Domestic Rate Pool | | (170,326) |
| (164,415) | Distribution from Non Domestic Rate Pool | | (202,923) |
| | | | |
| | | | |
| | <i>Less:</i> | | |
| 390 | Charity Relief adjustment | | 394 |
| (164,025) | Income credited to the Comprehensive Income and Expenditure Statement * | | (202,529) |
| | | | |
| | | | |

* The figure for 2021/22 assumes that no excess will be retained by the Council for exceeding the Business Rates Incentivisation Scheme (BRIS) target in 2021/22.

| Category | Number of Subjects | Rateable Value at 1 April 2022 £'000 |
|--|---------------------------|---|
| Shops | 2,171 | 100,750 |
| Public Houses | 155 | 7,398 |
| Offices Including Banks | 2,996 | 180,743 |
| Hotels etc. | 372 | 23,206 |
| Industrial Factories, Warehouses, Stores | 1,951 | 146,461 |
| Leisure Entertainment, Caravans, Hol.Sites | 207 | 18,384 |
| Garages and Petrol Stations | 202 | 5,075 |
| Cultural | 14 | 1,483 |
| Sporting Subjects | 85 | 524 |
| Education & Training | 156 | 34,322 |
| Public Service Subjects | 197 | 19,659 |
| Communications (non Formula) | 31 | 1,783 |
| Quarries, Mines etc | 9 | 128 |
| Petrochemical | 2 | 715 |
| Religious | 138 | 3,394 |
| Health Medical | 130 | 14,062 |
| Other | 961 | 12,572 |
| Care Facilities | 121 | 5,915 |
| Advertising | 123 | 546 |
| Undertaking | 20 | 2,478 |
| Total Non Domestic Rates Subjects | 10,041 | 579,597 |

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 2021/22, 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

| 2020/21 | | 2021/22 |
|----------------|--|----------------|
| £000 | | £000 |
| 171,404 | Gross Assessments | 173,640 |
| 911 | Net band adjustments | 792 |
| 172,315 | Council Tax Collectable | 174,432 |
| | Deduct: | |
| 14,379 | Exemptions | 14,667 |
| 94 | Disabled relief | 92 |
| 16,046 | Discounts | 16,327 |
| 6,186 | Provision for non-collection | 5,706 |
| 11,821 | Council Tax Reduction | 11,402 |
| 12 | Other | 53 |
| 123,778 | | 126,184 |
| | Add: | |
| 1,072 | Statutory Additions | 1,368 |
| (1,425) | Prior Year Adjustments | 865 |
| | | |
| (24) | Write Ons | (16) |
| 123,401 | Net Council Tax income transferred to General Fund for the Year | 128,401 |

The calculation of the Council Tax Base 2021/22:

| | Number of Dwellings | Number of Exemptions | Disabled Relief | Discounts 25% | Discounts 50% | Total Dwellings | Ratio to Band D | Band D Equivalents |
|-------------------------------------|---------------------|----------------------|-----------------|---------------|---------------|-----------------|---|--------------------|
| Band A (subject to disabled relief) | | | (2) | | | 2 | 200/360 | 1 |
| Band A | 24,595 | (4,879) | (28) | (3,100) | (918) | 15,670 | 240/360 | 10,481 |
| Band B | 28,341 | (2,638) | (56) | (3,508) | (561) | 21,578 | 280/360 | 16,830 |
| Band C | 19,915 | (1,507) | (60) | (1,948) | (335) | 16,066 | 320/360 | 14,334 |
| Band D | 16,821 | (2,057) | (66) | (1,616) | (356) | 12,727 | 360/360 | 12,799 |
| Band E | 15,159 | (590) | (72) | (1,231) | (195) | 13,072 | 473/360 | 17,270 |
| Band F | 9,032 | (196) | (69) | (553) | (92) | 8,123 | 585/360 | 13,307 |
| Band G | 7,997 | (121) | (37) | (354) | (81) | 7,405 | 705/360 | 14,517 |
| Band H | 1,103 | (22) | (4) | (30) | (25) | 1,022 | 882/360 | 2,504 |
| | | | | | | | Total | 102,043 |
| | | | | | | | Band D Equivalent Council Tax Reduction | (11,402) |
| | | | | | | | Contributions in Lieu | 12 |
| | | | | | | | Provision for Bad Debts (2.4%) | (2,551) |
| | | | | | | | Council Tax Base | 88,102 |

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 2021/22 was £1,377.30 (2020/21, £1,377.30)

| £ Property Value | Band | Proportion of Band D | Council Tax Level |
|-------------------|------|----------------------|-------------------|
| 27,000 or under | A | 240/360 | £918.20 |
| 27,001 - 35,000 | B | 280/360 | £1,071.23 |
| 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

| | Common Good Fund £'000 | Reserves Fund £'000 | Total Common Good £'000 |
|--|------------------------------|------------------------|-------------------------------|
| Balance at 31 March 2020 | (124,081) | (68) | (124,149) |
| Movement in Reserves during 2020/21 | | | 0 |
| (Surplus) or Deficit on provision of services | 263 | 0 | 263 |
| (Surplus) or Deficit on revaluation of investment property | (3,565) | 0 | (3,565) |
| Total Comprehensive Expenditure and Income | (3,303) | 0 | (3,303) |
| Balance at 31 March 2021 | (127,384) | (68) | (127,452) |
| Movement in Reserves during 2021/22 | | | |
| (Surplus) or Deficit on provision of services | 601 | 0 | 601 |
| (Surplus) or Deficit on revaluation of investment property | (922) | 0 | (922) |
| Total Comprehensive Expenditure and Income | (321) | 0 | (321) |
| Balance at 31 March 2022 | (127,705) | (68) | (127,773) |

During 2021-22, in the face of severely diminishing credit interest returns, a decision was taken to invest £30m of Common Good cash in a Multi-Asset Income fund, to generate more income for the fund and the decision was taken to proceed with Fidelity International's Multi-Asset Income fund. The first tranche of £10m was invested on 28th July 21, and the second tranche was made on mid-August. A third investment of £10m was made in mid-September. The fund has yielded steady growth since the investment started, earning some £644k to date at an average rate of 4.09%.

Comprehensive Income and Expenditure Statement

| 2020/21 Net (Income) Expenditure £'000 | Gross Expenditure £'000 | Gross Income £'000 | 2021/22 Net (Income) Expenditure £'000 |
|--|-------------------------------|--------------------------|---|
| 758 Grants & Contributions to External Organisations | 833 | | 833 |
| 112 External Organisations Rents | 111 | | 111 |
| 270 Promoting Aberdeen | 344 | | 344 |
| 98 Grants/Services Provided by Aberdeen City Council | 102 | | 102 |
| 607 Civic Service Funding | 774 | | 774 |
| 54 Duthie Park HLF | 57 | | 57 |
| 988 Specific Projects | 520 | (16) | 504 |
| 40 Earmarked Reserves | 37 | | 37 |
| 2,927 Cost Of Services | 2,778 | (16) | 2,762 |
| 0 Other Operating Expenditure | | | 0 |
| (2,664) Financing and Investment Income and Expenditure | | | (2,161) |
| 263 (Surplus) or Deficit on Provision of Services | | | 601 |
| (3,565) (Surplus) or Deficit on revaluation of investment property | | | (922) |
| (3,303) Total Comprehensive Income and Expenditure | | | (321) |

Balance Sheet

| 31 March 2021 £'000 | | 31 March 2022 £'000 |
|------------------------|---|------------------------|
| 0 | Long Term Investments | 27,780 |
| 92,816 | Investment Property | 89,139 |
| 92,816 | Long Term Assets | 116,919 |
| 33,990 | Investments in Aberdeen City Council Loans Fund | 10,836 |
| 0 | Investment Property Held for Sale | 0 |
| 961 | Short Term Debtors | 482 |
| 34,951 | Current Assets | 11,318 |
| (315) | Short Term Creditors | (464) |
| (315) | Current Liabilities | (464) |
| 127,452 | Net Assets | 127,773 |
| (127,384) | Common Good Fund | (127,705) |
| (68) | Reserve Fund | (68) |
| (127,452) | Total Reserves | (127,773) |

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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 except for Marguerite McBey Trust which has two Councillors on the Board of Trustees.

This section gives summary details of the income and disbursements relating to these trusts, together with a summary of the balances of the trusts at 31 March 2020 and details of how the balances were invested at that date. A detailed breakdown of the separate individual trust accounts can be obtained from the Head of Finance.

Included in these funds are 8 Trusts which are registered as Scottish charities under the Charities and Trustee Investment (Scotland) Act 2005. A separate audited Annual Report and Accounts for the Council's registered Charitable Trusts is submitted to OSCR within statutory deadlines.

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

Trust Funds have been incorporated into the Group accounts on the basis that they are entirely controlled by the Council, which appoints 100% of the trustees. However, it is acknowledged that the funds belong to the Trusts and that they may be used solely for the purposes specified in the Trust articles. The assets are not the property of the Council. The Common Good Fund has investments in the Lands of Skene Trust (30%) and the Lands of Torry Trust (51%).

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

Movement in Funds

| | Balance as at 31 March 2021 | Revaluation of Investments | Income | Expenditure | Balance as at 31 March 2022 |
|--------------------------------------|--------------------------------|-------------------------------|--------------|-------------|--------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Charity | | | | | |
| EEIF | (323) | (12) | (3) | 4 | (334) |
| Guildry | (2,612) | (8) | (8) | 19 | (2,609) |
| Bridge of Don | (1,213) | (6) | (2) | 1 | (1,220) |
| Alexander MacDonald Bequest | (30) | - | - | 1 | (29) |
| Aberdeen Art Gallery Trust | (22) | - | - | 6 | (16) |
| Lands of Skene | (1,126) | (6) | (35) | 35 | (1,132) |
| Lands of Torry | (1,401) | (2) | (173) | 174 | (1,402) |
| McBey Trust | (491) | - | (3) | 6 | (488) |
| Total - Charitable Trusts | (7,218) | (34) | (224) | 246 | (7,230) |
| | | | | | |
| | | | | | |
| | | | | | |
| | Balance as at 31 March 2021 | Revaluation of Investments | Income | Expenditure | Balance as at 31 March 2022 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Non Charity | | | | | |
| Educational Trusts | (1,367) | (1) | (84) | 84 | (1,368) |
| Endowment Funds | | | | | 0 |
| - Educational | (901) | (35) | (10) | - | (946) |
| - Social Work | (378) | (15) | (4) | - | (397) |
| Arts & Heritage | (73) | - | (1) | 1 | (73) |
| Graveyards | (15) | - | - | 2 | (13) |
| Monuments | (7) | - | - | - | (7) |
| John Rickart | (52) | - | - | 1 | (51) |
| McBey Trust | (70) | - | - | 1 | (69) |
| Glover House Ltd | - | - | - | - | - |
| Aberdeen Japan Trust | (485) | - | - | 8 | (477) |
| Total - Non Charitable Trusts | (3,348) | (51) | (99) | 97 | (3,401) |
| | | | | | |
| Total | (10,566) | (85) | (323) | 343 | (10,631) |

Investment of Funds

| Charitable Trusts | Non- Charitable Trusts | Total | | Charitable Trusts | Non- Charitable Trusts | Total |
|----------------------|------------------------------|-----------------|--|----------------------|------------------------------|-----------------|
| 2020/21 | 2020/21 | 2020/21 | | 2021/22 | 2021/22 | 2021/22 |
| £'000s | £'000s | £'000s | | £'000s | £'000s | £'000s |
| 4,332 | 485 | 4,817 | Land & Buildings | 3,961 | 477 | 4,438 |
| 118 | 848 | 966 | Equities - Listed | 127 | 901 | 1,028 |
| 5 | 35 | 40 | Gilt Edged Securities | 5 | 35 | 40 |
| - | 395 | 395 | Bank | - | 405 | 405 |
| 2,775 | 1,667 | 4,442 | Council Loans Fund | 3,257 | 1,667 | 4,924 |
| 100 | - | 100 | Other Investments - ACGIA | - | - | - |
| 67 | - | 67 | Debtors | 69 | - | 69 |
| (179) | (82) | (261) | Creditors | (189) | (84) | (273) |
| 7,218 | 3,348 | 10,566 | | 7,230 | 3,401 | 10,631 |
| - | - | - | Share Capital | - | - | - |
| (4,547) | (2,708) | (7,255) | Unrestricted Funds | (4,537) | (2,704) | (7,241) |
| (145) | (640) | (785) | Endowment Funds | (159) | (697) | (856) |
| (2,526) | - | (2,526) | Designated Funds - Common Good Fund | (2,534) | - | (2,534) |
| - | - | - | Designated Funds - Grampian Health Board | - | - | - |
| (7,218) | (3,348) | (10,566) | | (7,230) | (3,401) | (10,631) |

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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).

Group Accounts

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

Group Movement in Reserves Statement

| | Total Usable Reserves (Page 53) £'000 | Total Unusable Reserves (Note 12) £'000 | Total Council Reserves £'000 | Council's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000 | Total Reserves £'000 |
|--|--|--|-------------------------------------|---|-----------------------------|
| Balance at 31 March 2020 | (59,961) | (1,156,006) | (1,215,967) | (112,853) | (1,328,820) |
| Movement in Reserves during 2020/21 | (9,355) | (187,846) | (197,201) | (28,667) | (225,868) |
| Adjustments between accounting basis & funding basis under regulations | (30,084) | 30,084 | 0 | | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves | (39,439) | (157,762) | (197,201) | (28,667) | (225,868) |
| Increase/Decrease in Year | (39,439) | (157,762) | (197,201) | (28,667) | (225,868) |
| Balance at 31 March 2021 Carried Forward | (99,400) | (1,313,768) | (1,413,168) | (141,520) | (1,554,689) |
| Movement in Reserves during 2021/22 | 85,491 | (107,571) | (22,080) | (15,659) | (37,739) |
| Adjustments between accounting basis & funding basis under regulations | (94,317) | 94,317 | 0 | | |
| Net Increase/Decrease before Transfers to Earmarked Reserves & Statutory Reserves | (8,827) | (13,253) | (22,080) | (15,659) | (37,739) |
| Transfers to/from Earmarked Reserves & Statutory Reserves | 0 | 0 | 0 | | |
| Increase/Decrease in Year | (8,827) | (13,253) | (22,080) | (15,659) | (37,739) |
| Balance at 31 March 2022 | (108,227) | (1,327,021) | (1,435,248) | (157,180) | (1,592,428) |

Group Comprehensive Income and Expenses Statement

| 2020/21 | | | | 2021/22 | | |
|----------------------------|-----------------------|--------------------------|--|----------------------------|-----------------------|--------------------------|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| | | | Continued Operation | | | |
| 339,371 | (51,751) | 287,620 | Operations | 366,854 | (63,761) | 303,093 |
| 102,922 | (60,432) | 42,490 | Customer | 99,122 | (55,212) | 43,910 |
| 42,167 | (12,591) | 29,576 | Commissioning | 64,593 | (27,915) | 36,678 |
| 126,345 | (106,810) | 19,535 | Resources | 140,849 | (98,755) | 42,094 |
| 258,192 | (163,936) | 94,256 | Integration Joint Board | 273,245 | (167,553) | 105,692 |
| 24,853 | (2,765) | 22,088 | Corporate | 40,950 | (8,798) | 32,153 |
| 142,707 | (103,089) | 39,618 | Housing Revenue Account | 142,027 | (103,547) | 38,481 |
| 1,036,557 | (501,374) | 535,183 | Cost of Services | 1,127,641 | (525,540) | 602,101 |
| 0 | (1,146) | (1,146) | Other Operating Expenditure | 0 | 1,396 | 1,396 |
| 97,419 | (47,548) | 49,871 | Financing and Investment Income and Expenditure | 112,750 | (61,664) | 51,086 |
| 0 | (590,503) | (590,503) | Taxation and Non Specific Grant Income | 0 | (564,305) | (564,305) |
| 1,133,976 | (1,140,571) | (6,595) | (Surplus) or Deficit on Provision of Services | 1,240,391 | (1,150,114) | 90,278 |
| | | (6,939) | Share of (surplus) or deficit on the provision of services of Associates and JV | | | (15,679) |
| | | (13,535) | Group (Surplus)/Deficit | | | 74,598 |
| | | 24,007 | (Surplus)/deficit on revaluation of Property, Plant and Equipment assets | | | (77,160) |
| | | (3,231) | (Surplus)/deficit on revaluation of available for sale financial assets | | | (922) |
| | | (230,207) | Actuarial (gains)/losses on pension assets/liabilities | | | (33,457) |
| | | (2,567) | Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures | | | (799) |
| | | (211,998) | Other Comprehensive Income and Expenditure | | | (112,338) |
| | | (225,533) | Total Comprehensive Income and Expenditure | | | (37,739) |

Group Balance Sheet

| 31 March 2021 £000 | | 31 March 2022 £000 |
|-------------------------------|---|-------------------------------|
| 2,388,124 | Property ,Plant and Equipment (note xi) | 2,561,895 |
| 287,075 | Investment Property (note xii) | 241,662 |
| 29,305 | Long Term Investments and/or Investments in Associates and Joint Ventures | 70,915 |
| 198,068 | Heritage Assets | 196,272 |
| 958 | Long Term Debtors | 657 |
| 2,903,530 | Long Term Assets | 3,071,401 |
| | | |
| 40,276 | Short Term Investments | 20,025 |
| 2,930 | Inventories | 3,403 |
| 132,118 | Short Term Debtors | 107,699 |
| 128,680 | Cash and Cash Equivalents | 104,056 |
| 14,061 | Assets held for Sale | 12,354 |
| 318,065 | Current Assets | 247,537 |
| | | |
| (195,579) | Short Term Borrowing | (216,458) |
| (118,852) | Short Term Creditors | (109,222) |
| (551) | Provisions | (3,533) |
| (4,638) | PPP Short Term Liabilities | (4,527) |
| (21,047) | Capital Grants Receipts in Advance | (31,258) |
| (2,909) | Revenue Grants Receipts in Advance | (1,438) |
| (7,423) | Other Short Term Liabilities | (7,224) |
| (350,999) | Current Liabilities | (373,660) |

Group Balance Sheet

| 31 March 2021 £'000 | | 31 March 2022 £'000 |
|--------------------------------|------------------------------|--------------------------------|
| (551) | Provisions | (551) |
| (1,003,256) | Long Term Borrowing | (1,043,106) |
| (130,564) | PPP Long Term Liabilities | (126,039) |
| (57,194) | Other Long Term Liabilities | (56,644) |
| (124,342) | Pension Liabilities | (126,510) |
| (1,315,907) | Long Term Liabilities | (1,352,850) |
| | | |
| 1,554,689 | Net Assets | 1,592,428 |
| | | |
| (99,401) | Usable Reserves | (108,227) |
| (1,313,765) | Unusable Reserves | (1,327,021) |
| (5,559) | Group - Usable Reserves | (22,217) |
| (135,964) | Group - Unusable Reserves | (134,963) |
| (1,554,689) | Total Reserves | (1,592,428) |

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Group Cash Flow

| 31 March 2021 | | 31 March 2022 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 13,535 | Net surplus or (deficit) on the provision of services | (74,598) |
| 134,759 | Adjust net surplus or deficit on the provision of services for non cash movements | 226,727 |
| (80,053) | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (48,313) |
| 68,241 | Net cash flows from Operating Activities (note 13) | 103,816 |
| (34,578) | Net cash flows from Investing Activities (note 14) | (141,174) |
| (11,793) | Net Cash flows from Financing Activities (note 15) | 12,734 |
| 21,870 | Net increase or (decrease) in cash and cash equivalents | (24,624) |
| | | |
| 106,810 | Cash and Cash equivalent at the beginning of the reporting period | 128,680 |
| 128,680 | Cash and Cash equivalent at the end of the reporting period | 104,056 |

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 2022, 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 2021 to 31 March 2022, except for 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 2021, 31 July 2021 and 28 February 2022. 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.

In the face of severely diminishing credit interest returns, a decision was taken to invest £30m of Common Good cash in a Multi-Asset Income fund, to generate more income for the fund and the decision was taken to proceed with Fidelity International's Multi-Asset Income fund. The first tranche of £10m was invested on 28th July 21, and the second tranche was made on mid-August. A third investment of £10m was made in mid-September. The fund has yielded steady growth since the investment started, earning some £644k to date at an average rate of 4.09%.

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 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 £31 million in 2021/22 (2020/21 £33 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 2021/22, the partners contributed £395 million in funding to the IJB (£366 million 2020/21).

On 11 March 2022 Aberdeen City Council entered into an agreement with bp International Limited to form an Energy Company. This is known as bp Aberdeen Hydrogen Energy Limited (BPAHE) The purpose of this company is to establish a commercial hydrogen production, storage and distribution infrastructure for green hydrogen utilising renewable power to service transport in the short term. This will further be expanded to the delivery of hydrogen power for heat systems for both housing and industrial use. It is envisaged that this will then progress to export any excess energy to the grid. In 2022/23 the Council will invest £15m in the company. The company formed is currently a 50:50 Joint Venture and will form part of the Group accounts of the Council from 2022/23.

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 £157 million (2020/21, increase of £141 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 2021/22 | ACC Control % | Commitment to meet accumulated deficits % | Net Assets / (liabilities) £'000 | Surplus / (deficit) for the year £'000 | The accounts can be acquired from |
|---|---------------|---|----------------------------------|--|--|
| Subsidiaries | | | | | |
| Aberdeen Exhibition and Conference Centre | 100 | 100 | 361 | 0 | AECC, The Conference Centre, Bridge of Don, Aberdeen |
| Common Good | 100 | 100 | 127,773 | (601) | Head of Finance, Aberdeen City Council |
| Trust Funds | 100 | 100 | 8,099 | (18) | Head of Finance, Aberdeen City Council |
| Sport Aberdeen Limited | 100 | 100 | 2,156 | 269 | Broadford House, Broadford Road, Bridge of Don, Aberdeen, AB23 8EE |
| Bon Accord Care Limited | 100 | 100 | (5,346) | (4,115) | Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP |
| Bon Accord Support Services Limited | 100 | 100 | (1,063) | (321) | Inspire Building, Beach Boulevard, Aberdeen, AB24 5HP |
| Joint Ventures | | | | | |
| Aberdeen Sports Village Limited | 50 | 50 | 31,007 | (1,634) | University of Aberdeen, Kings College, Old Aberdeen AB24 3FX |
| Intregation Joint Board | 50 | 50 | 51,392 | 33,156 | 50 Frederick Street, Aberdeen, AB24 5HY |
| Associates | | | | | |
| Grampian Valuation Joint Board | 39 | 39 | 739 | (210) | 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. If AH&P Ltd ceases to exist the ownership of the assets would transfer to the Council. For the year ended 31 March 2022, AH&P Ltd made a profit of £0.449 million (2020/21, £0.501 million profit) and the net assets of the company were £5.153 million (2020/21, £4.704 million). Turnover was £4.573 million (2020/21, £4.573 million). 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 2020/21, Aberdeen City Council contributed £112,000 (2019/20, £195,000) 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 2020/21 show a surplus of £0.059 million (2019/20, £0.563 million 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 in the process of being prepared.

Grampian Venture Capital Fund Ltd is a private company limited by shares with a share capital of £0.455 million. 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 2021 net assets amounted to £0.202 million (2019/20 £0.303 million) with a loss for the year of £0.101 million (2018/19, £0.003 million loss). The accounts for 2018/19 are in the process of 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 2021/22, Aberdeen City Council did not make any material contributions to the SDPA.

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 2021/22, Aberdeen City Council contributed £0.176 million (2020/21, £0.175 million) towards the cost of these services. This represents Aberdeen City Council's share at 4%.

Aberdeen Hydrogen Hub was formed with BP International Limited on 11 March 2022. It is a 50:50 Joint venture with an initial investment from the Council and BP of £0.150 million each. The company formed to establish a commercial hydrogen production, storage and distribution infrastructure for green hydrogen utilising renewable power for the City of Aberdeen.

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

| 2020/21 £'000 | | 2021/22 £'000 |
|--------------------------|---|--------------------------|
| 45,783 | Interest payable and similar charges | 49,602 |
| 7,024 | Pensions interest cost and expected return on pensions assets | 2,150 |
| (547) | Interest receivable and similar income | (375) |
| (601) | Income and expenditure in relation to investment properties and changes in their fair value | 500 |
| (1,789) | Other investment income | (791) |
| 49,871 | Total | 51,086 |

Note vii Cash Flow Statement – Group Operating Activities

| 2020/21 £'000 | | | 2021/22 £'000 |
|------------------|---|--|------------------|
| 13,535 | * | Net surplus or (deficit) on the provision of services | (74,598) |
| 13,535 | * | | (74,598) |
| | | Adjustment to surplus or deficit on the provision of services for non-cash movements: | |
| 85,080 | | Depreciation | 79,870 |
| 50,218 | | Impairment, downward revaluations & non sale derecognitions | 82,955 |
| (484) | | (Increase)/Decrease in Stock | (473) |
| (33,714) | | (Increase)/Decrease in Debtors | 18,698 |
| 3,482 | | Increase/(Decrease) in Creditors | 15,056 |
| 20,882 | | Payments to Pension fund | 30,817 |
| 1,188 | | Carrying amount of non current assets sold | 2,402 |
| 0 | | Carrying amount of written off assets | 0 |
| (8,478) | | Contributions to Other Reserves / Provisions | 2,736 |
| 5,167 | | Movement in value of investment properties | 6,750 |
| 11,417 | | Other non-cash movements, including reversal of surplus or deficit on provision of services by associates and joint ventures | (12,084) |
| 134,758 | | | 226,727 |
| | | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities: | |
| (86,709) | | Receipt of Capital Grants and Contributions | (60,253) |
| (2,334) | | Proceeds from the sale of PP&E, investment property and intangible assets | (1,007) |
| 8,991 | | Bond EIR adjustment | 12,947 |
| (80,052) | | | (48,313) |
| 68,241 | | Net cash flows from operating activities | 103,816 |

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

Note viii Cash Flow Statement – Group Investing Activities

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--|------------------|
| (134,561) | Purchase of property, plant and equipment, investment property and intangible assets | (223,525) |
| 10,925 | Purchase/(Sale) of short term and long term investments | 21,091 |
| 2,910 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 1,612 |
| (561) | Contribution from the Capital Receipts Reserve towards the administrative costs on non current asset disposals | (606) |
| 86,709 | Capital grants and contributions received | 60,253 |
| (34,578) | Net cash flows from investing activities | (141,174) |

Note ix Cash Flow Statement – Group Financing Activities

| 2020/21 £'000 | | 2021/22 £'000 |
|------------------|--|------------------|
| (32) | Other receipts from financing activities | (37) |
| 677 | Repayments of short term and long term borrowing | (5,099) |
| (8,991) | Bond EIR Adjustment | 30,817 |
| (3,448) | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts | (12,947) |
| (11,793) | Net cash flows from Financing activities | 12,734 |

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 20201 £'000 | | 31 March 20212 £'000 |
|-------------------------|--|-------------------------|
| 34 | Cash held by officers | 39 |
| 128,646 | Bank current accounts | 104,017 |
| 128,680 | Total cash and cash equivalents | 104,056 |

Note xi Group Property, Plant and Equipment

Movements on Balances

Movements in 2020/21:

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets under Construction | Total Property, Plant & Equipment | PP Assets Included in Property, Plant & Equipment |
|--|-------------------|--------------------------|-----------------------------|-----------------------|------------------|----------------|---------------------------|-----------------------------------|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | | |
| At 1 April 2020 | 1,018,867 | 1,179,287 | 71,291 | 369,950 | 30,293 | 8,807 | 53,813 | 2,732,308 | 192,607 |
| 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 |
| At 31 March 2021 | 856,950 | 1,192,291 | 67,241 | 382,756 | 30,494 | 10,191 | 92,570 | 2,632,493 | 194,038 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| At 1 April 2020 | (118,746) | (40,105) | (43,727) | (121,824) | 0 | 0 | 0 | (324,401) | (591) |
| 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 |
| At 31 March 2021 | (3,008) | (67,819) | (40,509) | (133,033) | 0 | 0 | 0 | (244,368) | (4,256) |
| Net Book Value | | | | | | | | | |
| At 31 March 2021 | 853,943 | 1,124,472 | 26,732 | 249,724 | 30,494 | 10,191 | 92,570 | 2,388,124 | 189,782 |
| At 31 March 2020 | 900,122 | 1,139,182 | 27,564 | 248,127 | 30,293 | 8,807 | 53,813 | 2,407,907 | 192,016 |

Movements in 2021/22:

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant & Equipment | Infrastructure Assets * | Community Assets | Surplus Assets | Assets under Construction | Total Property, Plant & Equipment | PP Assets Included in Property, Plant & Equipment |
|--|-------------------|--------------------------|-----------------------------|-------------------------|------------------|----------------|---------------------------|-----------------------------------|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | | |
| At 1 April 2021 | 856,950 | 1,192,291 | 67,241 | | 30,494 | 10,191 | 92,570 | 2,249,737 | 194,038 |
| Additions | 98,758 | 17,076 | 10,818 | | 528 | (105) | 72,753 | 199,828 | 759 |
| Revaluations | (53,655) | (42,476) | 0 | | 0 | (806) | 0 | (96,937) | 0 |
| Derecognition / Disposals | 0 | 0 | (2,715) | | 0 | (1,400) | 0 | (4,115) | 0 |
| Transfers | 0 | 74,546 | 0 | | 0 | (1,736) | (36,360) | 36,450 | 0 |
| At 31 March 2022 | 902,053 | 1,241,437 | 75,344 | | 31,022 | 6,144 | 128,963 | 2,384,963 | 194,797 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| At 1 April 2021 | (3,008) | (67,891) | (40,436) | | 0 | 0 | 0 | (111,334) | (4,256) |
| Depreciation Charge | (31,508) | (29,313) | (6,403) | | 0 | 0 | 0 | (67,224) | (3,687) |
| Depreciation & Impairment written out | 29,919 | 63,231 | 0 | | 0 | 0 | 0 | 93,150 | 0 |
| Derecognition / Disposals | 0 | 0 | 2,502 | | 0 | 0 | 0 | 2,502 | 0 |
| Transfers | 0 | 284 | 0 | | 0 | 0 | 0 | 284 | 0 |
| At 31 March 2022 | (4,597) | (33,689) | (44,337) | | 0 | 0 | 0 | (82,622) | (7,943) |
| Net Book Value | | | | | | | | | |
| At 31 March 2022 | 897,457 | 1,207,748 | 31,007 | 259,553 | 31,022 | 6,144 | 128,963 | 2,561,895 | 186,854 |
| At 31 March 2021 | 853,943 | 1,124,400 | 26,805 | 249,724 | 30,494 | 10,191 | 92,570 | 2,388,124 | 189,782 |

* As noted on page 77, the Council has chosen to adopt both Infrastructure Asset overrides for 2021/22.

Note xii Investment Properties

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

| | 2020/21 £'000 | 2021/22 £'000 |
|---|--------------------------|--------------------------|
| Rental and interest income from investment property | (10,583) | (12,239) |
| Expenses arising from investment property | 7,254 | 10,388 |
| Revaluation (gains)/losses | 5,571 | 2,601 |
| Net (gain)/loss | 2,242 | 750 |

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

| | 2020/21 £'000 | 2021/22 £'000 |
|--|--------------------------|--------------------------|
| Balance at start of the year | 291,582 | 287,075 |
| Additions: | | |
| • Purchases | 0 | 931 |
| Disposals | (1,125) | (1,175) |
| Net gains/losses from fair value adjustments | (4,599) | (10,427) |
| Transfers: | | |
| • to/from Inventories | 1,217 | (34,742) |
| • to/from Property, Plant and Equipment | 0 | 0 |
| • to/from Assets Held for Sale | 0 | 0 |
| Balance at end of the year | 287,075 | 241,662 |

Note xiii

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

| | Loans | | Debtors | | Creditors | |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2020/21 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2021/22 £'000 |
| AECC | 0 | | 0 | | 0 | |
| Bon Accord Care Ltd | 0 | | 14 | 0 | (19) | (44) |
| Bon Accord Support Services Ltd | 0 | | 8,307 | 5,909 | (1,290) | (6,975) |
| Sport Aberdeen | (2,915) | (4,380) | 0 | 0 | 0 | (91) |
| Common Good | (31,433) | (10,062) | 0 | 0 | 0 | 0 |
| Trust Funds | (4,239) | (4,743) | 0 | 0 | 0 | 0 |
| | (27,381) | (38,587) | 7,190 | 8,307 | (3,391) | (1,309) |

Note xiv Operating Expenditure and Income of the Subsidiaries

The operating expenditure and income of the subsidiaries have been included within Operations, Customer, Commissioning, Resources, Integrated Joint Board/Social Work and Corporate.

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

| 2020/21 | | | | |
|---------------------------------|---|--|---|---|
| | Share of Operating (surplus)/deficit £'000 | Total Assets £'000 | Total Liabilities £'000 | Net Assets /Liabilities £'000 |
| Associates | | | | |
| Grampian Valuation Joint Board | 2 | 828 | (2,131) | 389 |
| Associates Total | 2 | 828 | (2,131) | 389 |
| Joint Venture | | | | |
| Aberdeen Sports Village Limited | 772 | 21,782 | (5,438) | 16,344 |
| Integration Joint Board | (7,817) | 9,118 | (13) | 15,504 |
| Joint Ventures Total | (7,045) | 30,900 | (5,451) | 31,848 |
| 2021/22 | | | | |
| | Share of Operating (surplus)/deficit £'000 | Share of Total Assets £'000 | Share of Total Liabilities £'000 | Share of Net Assets /Liabilities £'000 |
| Associates | | | | |
| Grampian Valuation Joint Board | (82) | 857 | (569) | 288 |
| Associates Total | (82) | 857 | (569) | 288 |
| Joint Venture | | | | |
| Aberdeen Sports Village Limited | 817 | 20,542 | (1,035) | 20,324 |
| Integration Joint Board | (16,578) | 25,696 | | 9,118 |
| Joint Ventures Total | (15,761) | 46,238 | (1,035) | 29,442 |

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 £533k (2020/21, £2.970 million surplus).

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 2021/22 BASS realised a loss of £0.321 million while BAC realised a loss of £4.115 million.

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 2020/21 was £0.098 million (2019/20 £0.141 million).

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

| | 2020/21 | 2021/22 |
|---------------------------------------|---------|---------|
| | £000 | £000 |
| Grampian Valuation Joint Board | 0 | 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'.

| | 2020/21 £'000 | 2021/22 £'000 |
|-----------------------------------|--------------------------------|--------------------------------|
| ACC | (118,091) | (118,419) |
| <u>Share of Associates</u> | | |
| Grampian Valuation Joint Board | 3 | (196) |
| Total | (118,088) | (118,615) |

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 2021/22.*

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*

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